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PREM 19/1462

Part 6
SECRET

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Confidential Filing

TSRB Reports on Salaries of Senior Civil Servants, Senior members of Armed Forces, and Judges.

ECONOMIC POLICY

Part 1: May 79

Policy towards next round of Review Body Reports

Part 6: March 80

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
5.3.84		4.2.85					
7.3.84		8.2.85					
16/3/84		1.4.85					
2.4.84		3.5.85					
3.4.84		8.5.85					
9.4.84		15.5.85					
11.4.84		20.5.85					
12.4.84		23.5.85					
18.4.84		31.5.85					
24.4.84		ENDS					
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PART 6 ends:-

HMT to J. Wiggins 31.5.85

PART 7 begins:-

N. Towers to B.I. 3.6.85

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
C(84)15	4.6.84
CC(84) 218V Conclusions, Minute 5	7.6.84
PSP(O)(85)5	4.2.85

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 Wayland Date 21 January 2014
PREM Records Team



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A J Wiggins Esq
Cabinet Office
Downing Street
SW1

Your reference

Our reference

Date 3/ May 1985

Dear Edin
PAY REVIEW BODY REPORTS 1985

Your minute of 24 May was copied to Peter Kemp who is now on leave. Treasury comments are as follows.

Draft Cabinet Paper

Paragraph 2. We suggest that the third sentence should read:

"The DDRB's recommendations were abated in 1981, and the abatement was carried through 1982 to be restored in 1983-84 with effect from 1 January 1984."

Paragraph 11(i). We suggest that the last two sentences should read:

"The staging of last year's recommendations caused a good deal of resentment in the armed forces, who have also suffered reductions recently in some overseas allowances (notably in Germany) as a result of new evidence and lower local inflation rates. Since the defence budget contains an allowance of only 3 per cent for pay increases, full implementation of the report will require some reductions elsewhere in the defence budget."

The reason for the first suggested amendment is that the calculations of the overseas allowances is based on convention about exchange rates which have not been affected by recent changes in Sterling's value against other currencies. The second amendment would leave open the logical possibility that some of the excess over 3 per cent might be absorbed by variations in planned manpower numbers.

Paragraph 11(ii). We suggest that the second sentence should read:

"Since, however, the provision for the cash-limited hospitals and community health services (HCHS) programme

contains a cash uplift of 5½ per cent to cover both inflation and some service improvement (the balance of service improvement coming from efficiency savings) it is not etc.

Paragraph 11(iii). Eight lines from the end and paragraph 12, line 9 read "HCHS" for "NHS".

Paragraph 12. We suggest that the second and third sentences should read:

"In the case of the non-cash limited Family Practitioner Services, the programme is due to be reviewed later in the year. In the event of offsetting savings not then being found, some part of the proposed increase would fall to be met in due course from the Reserve. In the case of the armed forces... through reduced spending elsewhere within the defence cash limit."

We suggest that the end of the fourth, and beginning of the fifth sentence be revised to read:

"...one per cent improvement in services, unless further efficiency savings can be found during the course of 1985-86. The balance of the full-year costs payable in 1986-87 and subsequent years would result in a substantial increase in programme costs, for which the Government's current public expenditure plans...etc."

Draft Statement

Third paragraph. We suggest that the paragraph ends:

"...will be offset by reduced spending elsewhere within the defence cash limit."

Fourth paragraph. We suggest replacing the second sentence onwards with:

"The cash increase in 1985-86 for pay and service improvements for the hospital and community health services is 5½ per cent. In order to bring the cost of the pay increases within this, the recommendations will be implemented with effect from 1 June 1985. In the case of the Family Practitioner Services, the additional cost of [£] million is within the estimating error on the programme which will be reviewed later in the year.

Last paragraph. We suggest an addition at the end of the paragraph, to read:

"...on points of detail, such as the position of armed forces personnel facing accommodation charge increases above 10 per cent."

I have copied this letter to Hatfield and Turnbull. I will write separately about general briefing, which we are happy to draft.

J F GILHOOLY

John
John.

No: 3 of 4 copies

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CABINET OFFICE
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24 MAY 1985
FILING INSTRUCTIONS
FILE No.

SECRET AND PERSONAL

MR HATFIELD

cc Mr E P Kemp (H M Treasury)

Mr A Turnbull (for information)



PAY REVIEW BODY REPORTS 1985.

I attach a first draft of the paper for Sir Robert Armstrong to circulate to the Cabinet on Tuesday 4 June. This reflects the conclusions so far reached by Ministers, and is largely modelled on the corresponding paper prepared by Mr Gregson last year. I also attach a first draft of a Written Answer for the Prime Minister announcing the Government's decisions.

2. At the Prime Minister's meeting on 23 May, it was recognised that there was a finely balanced choice between a staging for nurses and PAMs providing for a 5 per cent increase on 1 April 1985, with the remaining 4 per cent paid from 1 February 1986, and an alternative staging under which the first 5 per cent would be paid from 1 June 1985, with the remainder from 1 December 1985. The Social Services Secretary was inclined to attach greater importance to giving a substantial increase from the due date (which would put money in nurses' pockets in time for the summer holiday), but others were worried that the consequential delay of 10 months in implementing the remainder of the recommendations would be unfavourably regarded. A possible compromise was canvassed of paying 4½ per cent from 1 April 1985, and the remainder from 1 January 1986. It was noted that Sir John Greenborough, the Chairman of the Review Body, had indicated his recognition of the need for staging; the Social Services Secretary undertook to arrange for Sir Kenneth Stowe to consult him on the method of staging he would prefer.

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3. Mr Fowler's Office tell me that they expect him to minute the Prime Minister in the light of the consultations with Sir John Greenborough on 30 or 31 May. The attached draft therefore has a number of square brackets, and will need to be amended in the light of Mr Fowler's further recommendations.

4. Once we have Mr Fowler's recommendations, and subject to the Prime Minister's views, we shall need to circulate the paper very quickly for comment by the Permanent Secretaries concerned. I shall stand ready to arrange this on Monday 3 June. Mr Kēmp may wish in the meanwhile to begin thinking about the press briefing, for which I take it the Treasury will be responsible. It would be helpful if he and Mr Turnbull could let me know of any points they wish to raise at this stage in time for me to take them into account first thing on 3 June.

JW

A J WIGGINS
Cabinet Office.
24 May 1985

Attachment:

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CABINET

PAY REVIEW BODY REPORTS 1985

Note by the Secretary of the Cabinet

Decisions are required on the following pay review body reports.

- i. Armed Forces Pay Review Body (AFPRB);
- ii. Review Body for Nursing Staff, Midwives, Health Visitors and professions allied to medicine (NRB):
 - a. on nursing staff, midwives and health visitors;
 - b. on professions allied to medicine (PAMs);
- iii. Doctors and Dentists Review Body (DDRB).

Their recommendations in all cases relate to 1 April 1985. The Top Salaries Review Body (TSRB) is not expected to report until some time next month, because of the extra time needed to review the case for salary differentials to reflect differences in the responsibilities carried by different posts.

Policy and recent practice in relation to review body reports

2. There is a long-standing commitment (re-affirmed when the NRB was set up in July 1983) that the Government will implement the recommendations of Review Bodies 'unless there are clear and compelling reasons for not doing so'. The AFPRB's recommendations have never been rejected by the Government. The DDRB's recommendations were abated in 1981 and 1982 but in 1983 the abatement was restored with effect

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from 1 January 1984. Last year the NRB's recommendations (7.5 per cent for nurses and 7.8 per cent for PAMs) were accepted in full from 1 April; the remaining review body groups all received 3 per cent on 1 April, with the balance of the recommendations (3.9 per cent for doctors and dentists, 4.6 per cent for the armed forces and 3.5 per cent for the TSRB groups) paid on 1 November.

AFPRB recommendations for 1985

3. The AFPRB estimate that the net cost of their recommendations will add 7.3 per cent (£216.2 million) to the estimated pay bill for the regular and reserve forces for 1985-86. The number affected is 330,000.

4. The increases for selected ranks are:

	<u>Now being</u> <u>paid</u>	£ <u>proposed</u>	% <u>percentage</u> <u>increase</u>
Brigadier and equivalent	27,101	29,401	8.5
Captain(Army) and equivalent	11,330-13,160	12,217-14,188	7.7
Sergeant and equivalent	8,472-10,184	9,088-10,939	7.3-7.5
Private and equivalent	4,807-7490	5,000- 8,026	4.0-7.2

The report also makes detailed proposals on charges for food and accommodation.

NRB recommendations for nursing staff, midwives and health

5. The NRB estimate that the cost of their recommendations will add 8.6 per cent (£282 million) to the estimated 1985-86 pay bill for nursing staff etc. The number affected is some 483,000 in 'whole-time equivalent' terms.

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AND PERSONAL

6. The increases for selected grades are:

	<u>Now being paid</u>	<u>proposed</u>	<u>percentage increase</u>
Regional Nursing Officer(RI)	20,491-26,235	21,520-27,550	5.0
District Nursing Officer (England) (DHA1(T))	19,002-24,882	19,955-26,135	5.0
Senior Nurse 4	10,423-12,147	11,650-13,370	11.8-10.1
Nursing Sister II	6,827- 8,751	7,480-10,000	9.6-14.3
Staff Nurse (SRN)	5,398- 6,582	6,000- 7,175	11.2- 9.0
Enrolled Nurse	4,861- 5,864	5,270- 6,500	8.4-10.8
Nursing Auxiliary/Assistant (aged 18 or over)	3,777- 4,828	3,950- 5,120	4.6- 6.0

NRB recommendations for professions allied to medicine 1985

7. The NRB estimate that the cost of their recommendations will add 12.1 per cent (£31.8 million) to the estimated 1985-86 pay bill for professions allied to medicine (physiotherapists, radiographers, chiropodists, dietitians etc). The number affected is 34,980 in 'whole-time equivalent' terms.

8. The increases for selected grades are:

	<u>Now being paid</u>	<u>proposed</u>	<u>percentage increase</u>
District Senior Chief	12,100-13,566	13,485-14,880	11.4- 9.7
Senior 1	7,727- 8,747	8,910-10,200	15.3-16.6
Basic grade	5,796- 6,560	6,505- 7,450	12.2-13.6

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DDRB recommendations for 1985

9. The DDRB estimate that their recommendations will add 6.3 per cent (£122 million) to the annual pay bill for doctors and dentists. The number affected is 111,600.

10. The increases for selected grades are:

	£	£	%
	<u>Now being paid</u>	<u>proposed</u>	<u>percentage Increase</u>
Consultant *	20,200-26,080	21,460-27,700	6.2
General medical practitioner (intended average net remuneration)	22,070	23,440	6.2
General dental practitioner (target average net income)	19,100	20,280	6.2
Registrar	10,130-12,270	10,760-13,030	6.2

* Increases in distinction awards bring the total for hospital doctors and dentists to 6.4 per cent.

Proposals for handling the reports

11. Ministers directly concerned meeting under the Prime Minister's chairmanship have considered these recommendations. Their proposals to the Cabinet are as follows:

i. The report of the AFPRB should be implemented in full from 1 April 1985. Although the average increase is significantly higher than the 'going rate' (for pay increases in the public services (e.g. the settlement for civil servants), it is slightly below the current annual rate of increase in earnings. The pattern of

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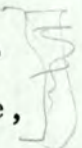
AND PERSONAL

the increases (which vary from 4.0 to 8.5 per cent) reflects the intention to offer most to the skilled and trained people the armed forces need to recruit and retain. The staging of last year's recommendations caused a good deal of resentment in the armed forces, who have also been disappointed recently by the effect of adjustments in some real overseas allowances consequent upon appreciation of the £ sterling against certain other currencies. Since the defence budget contains an allowance of only 3 per cent for pay increases, full implementation of the report will result in some reduction in spending on equipment, etc. for the armed forces.

Non sequitur



ii. Doctors and dentists should, so far as possible, be treated in the same way as the armed forces. Since, however, the provision for the cash-limited hospitals and community health services (HCHS) programmes contains an allowance of 5½ per cent to cover both inflation and desired service improvement, it is not possible to finance the whole award from 1 April without either cutting services or drawing on the Reserve. In these circumstances it is proposed that the DDRB increases be paid in full with effect from 1 June 1985.



iii. The NRB reports propose a substantial salary restructuring for nurses and PAMs; this is the first time the Review Body has been able to make considered

with smaller increase to young nurses and to be higher pay nurse, involving largely in administrative
the aim has been to give the largest increase to the main career grades to paragonist from alone the further increase is to be welcomed

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judgments about salary structure across all these professions - because the NRB was only established in mid-1983, there was not time last year for the necessary detailed work to be undertaken. The average increases proposed (8.6 per cent for nurses and 12.1 per cent for PAMs) are substantially in excess of the NHS cash provision, and staging is required to bring them within that provision for the current year. It is proposed that these groups should receive [5] per cent (or the full amount of the award, where this is less) on [1 June], with the remainder being paid on [1 December]. The Chairman of the NRB has indicated that he would be content with this staging.

acknowledged staging might be necessary though he would have preferred a structure which exceeded existing provision.

(X)

In all cases pensions would be based on the salaries actually in payment in accordance with the principle set out in the Prime Minister's Written Answer on 13 April 1984 (OR Col.383).

Costs

12. All the proposed increases would be met from within existing cash limits for 1985-86. In the case of the non-cash limited Family Practitioner Services, the excess of [£9 million] over the 4½ per cent baseline would fall to be met in due course from the Reserve. In the case of the armed forces, the excess over the 3 per cent provision represents 0.7 per cent of the defence budget and could be absorbed through reduced purchases of equipment, with consequential effects on defence capability. In the case of the NHS, accepting a 5½ per cent

Minister considering these proposals felt it important to hold a meeting to discuss the principle in order to meet the Committee with Government stance on further pay.

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increase in the paybill for the review body groups would mean giving up most of the previously planned one per cent improvement in services. The awards would result in a substantial increase in programme costs in 1986-87 and subsequent years, for which the Government's current public expenditure plans do not provide; the implications of these additional costs, and the scope for efficiency and other savings to offset them, will need to be considered in the 1985 Public Expenditure Survey.

Timing and form of announcement

13. It is generally understood that the reports are delivered to the Prime Minister in the course of April each year. Prolonged delay in their consideration would lead to undesirable speculation about their contents, and the Government's attitude to them. Moreover, from the standpoint of the services concerned, there is clear advantage in announcing and implementing decisions on pay increases as soon as possible. The Ministers who met under the Prime Minister's chairmanship therefore recommend that, if the Cabinet are able to reach decisions on 6 June, all the four reports so far submitted (on the armed forces, doctors and dentists, nurses and midwives, and professions allied to medicine) should be published that afternoon, and that the Prime Minister should simultaneously announce the Government's decisions on them by Written Answer, as in recent years. A draft Written Answer, in line with the recommendations in paragraph 11 above, is attached in the Annex to this paper.

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ISSUES FOR THE CABINET

14. The Cabinet is invited to consider:

i. the proposals for handling the 1985 Pay Review
Body reports set out in paragraph 11 above;

ii. depending on the decisions reached on those
proposals, the draft Written Answer in the Annex
for issue on the afternoon of Thursday 6 June.

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Q. To ask the Prime Minister if she will make a statement on the reports of the Pay Review Bodies.

A. The 1985 reports of the Armed Forces Pay Review Body, the Doctors and Dentists Review Body, and the Review Body for Nursing Staff, Midwives, Health Visitors and Professions allied to Medicine have been published today. Copies are now available in the Vote Office. The Government are grateful to the members of the review bodies for these reports and for the time and care which they have put into their preparation. The report of the Top Salaries Review Body has not yet been submitted to the Government.

The Government consider it essential that decisions on the recommendations in the reports should not involve any increases in the cash provisions for the current year for the cash limited defence and health service programmes.

The report of the Armed Forces Pay Review Body recommends increases which would add 7.3 per cent to the armed forces 1985-86 pay bill. These recommendations will be implemented in full from 1 April 1985. The additional costs in excess of the 3 per cent allowance in the defence budget for increases in pay and prices will be offset by reduced defence purchases of equipment and supplies.

The report of the Doctors and Dentists Review Body recommends increases which would in 1985-86 add 6.4 per cent

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ANNEX continued

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(including increases in distinction awards to consultants) to the pay bill for hospitals and community health services and 6.2 per cent to the pay bill for the non-cash limited family practitioner services. In order to bring the cost of the pay increases within the total provision for hospital and community health services during the current year, which is 5½ per cent higher than the corresponding provision for 1984-85, the recommendations will be implemented with effect from 1 June 1985. In the case of the family practitioner services, where the provision hitherto made is 4½ per cent higher than in 1984-85, the additional cost of [£] million will be charged to the reserve.

The reports of the Review Body for Nursing Staff, Midwives, Health Visitors and Professions allied to Medicine incorporate the results of the review of the appropriate level and structure of the pay of these professions on which this Body has been working since its establishment in 1983. The report on nurses, midwives and health visitors recommends a range of salary increases for different grades which would add 8.6 per cent to the 1985-86 pay bill for these groups; that on the professions allied to medicine recommends increases which would add 12.1 per cent to the corresponding pay bill. In order to bring the cost within the provision available, the Government have decided that all members of these groups should receive an increase of [5] per cent (or the whole amount of the award where this is less) on [1 June] 1985,

*With the total
the increase to
be no longer
to remain a
[5] would
represent 4-11 per cent*

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with the balance of the recommended increases, which essentially embody the Review Body's proposals for salary restructuring, on [1 December 1985].

Pensions will be based on the salaries actually in payment in accordance with the principle set out in my written answer on 13 April 1984 at column 383.

The pay rates and scales resulting from these decisions will be promulgated as soon as possible. The Government will be considering separately certain recommendations on points of detail.

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AND PERSONAL



FILE

SH24HQ 16

cc MASTER SET

10 DOWNING STREET

23 May 1985

From the Private Secretary

REVIEW BODIES: NURSES

The Prime Minister held a meeting after Cabinet today to discuss the way in which the award to nurses should be staged so that it could be contained within the existing provision for the Health Service. Present were: the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Defence, Scotland, Social Services, and Employment. Also present were: Sir Robert Armstrong and John Wiggins.

The Secretary of State for Social Services said the options were:

- (i) An increase of 5 per cent w.e.f. 1 April, with the balance, averaging 4 per cent, from 1 February;
- (ii) 4½ per cent w.e.f. 1 April and 4½ per cent from 1 February;
- (iii) 4 per cent w.e.f. 1 April, with the balance from 1 December.

The initial payment of 5 per cent from 1 April and the second stage from 1 December would cost an extra £28 million. This could be found only by cutting patient care or by recourse to the Contingency Reserve. He opposed both courses. Financing the award without recourse to the Contingency Reserve was important in modifying the behaviour of review bodies; it was only in this way that they would take affordability seriously. His initial preference was for option (i), though he recognised that it delayed the second payment substantially.

In discussion it was argued that, rather than delay the second payment to February 1986, it might be better to make the first payment from 1 June, i.e. more or less from the date of the announcement. One disadvantage of this, however, was that those receiving the smallest increases, such as the student nurses, would lose two months increase

SWH

without the compensating advantage of a second payment. One possibility would be to pay the awards for the lowest paid in full, and only stage the awards for those receiving larger increases, though this would substantially complicate the settlement. Although the costs of bringing forward the second stage by one or two months were relatively small, there were no resources within the Health Service which could be found to meet this. The money for growth in services was being largely eaten up by higher pay.

It was evident that the Chairman of the Nurses Review Body was reconciled to the fact that the award would have to be staged, and there might be advantage in seeking his views on how this staging might best be achieved.

The Secretary of State for Education and Science said the arguments of the Review Body reports were often weak, with too much emphasis on comparability and not enough on recruitment, retention and affordability. He offered to circulate a note to colleagues highlighting some of these deficiencies.

Summing up the discussion, the Prime Minister invited the Secretary of State for Social Services to seek the views of the Chairman of the Nurses Review Body on how staging could best be made. He should then minute his colleagues with his final recommendations. The Secretary to the Cabinet was invited to prepare a paper for the Cabinet meeting on 6 June. This would set out the group's recommendations and would have attached to it a draft of the announcement which the Prime Minister would make after Cabinet by Written Answer. The paper should be circulated on Tuesday 4 June.

I am sending copies of this letter to Rachel Lomax (H.M. Treasury), Elizabeth Hodgkinson (Department of Education and Science), Richard Mottram (Ministry of Defence), John Graham (Scottish Office), David Normington (Department of Employment), and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Steve Godber, Esq.,
Department of Health and Social Security.

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FROM: J F GILHOOLY
DATE: 23 MAY 1985

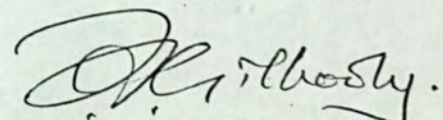
PS/CHANCELLOR

cc: Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Sir P Middleton
Sir T Burns
Mr A M Bailey
Mr Littler
Mr Byatt
Mr F Cassell
Mr Monck, *Mr. Kemp*
Mr Kemp
Mr Battishill
Mr Evans
Mr Lankester
Mr Odling-Smee O/R
Mr Scholar
Mr Watson
Mr Sedgwick O/R
Mr Lavelle
Mr Culpin
Mr Burr
Mr P Davis
Miss Sinclair
Mr Folger
Mr S Davies
Miss Peirson
Mr Riley
Mr Page
Mr H Davies
Mr Cropper
Mr Lord
Mr Sharratt
Mr Mowl
Mr Turnbull, No 10

NATIONAL INSTITUTE ECONOMIC REVIEW: MAY EDITION

The annex I contributed to Mr Mowl's note of yesterday gave briefing on the Review's article on public service pay.

2. Given that the teachers ^{Reports} are negotiating in Burnham today, and that the Review Bodies ^h are under consideration (and known to be), on reflection we suggest it might be expanded, as attached.



J F GILHOOLY

PUBLIC SERVICES PAY IN THE 1980's

1. The NIESR article gives figures for settlements for selected grades of public servant over the years 1980 to 1985, and compares them with one another; with the movement in retail prices, and with settlements in the whole economy. It concludes that with the exception of the police, the main groups of public servants have had pay rises less than in the economy as a whole, and in some cases less than the increase in prices. It notes that in the past, such developments have been followed by "catching up" but that current government policies imply a continued widening of the gap.
2. The article also expresses puzzlement over how the pay factor is applied.

Comment

3. It is not possible to check the figures used in the article. The figures in the article are selective, choosing representative grades eg civil service clerical staff, rather than all public servants, and similarly selective in the settlements figure chosen (eg, not all civil servants got 5 per cent in 1984-85; not all nurses got 8 per cent). And the article concentrates on settlements, not earnings, thus excluding overtime, etc. Nonetheless, the broad pattern is probably reasonably representative.

Points

3 per cent pay factor?

It is the provision made in public expenditure plans for increases in central government employees' pay and allowances from due settlement dates. It is an important indicator of affordability, but does not predetermine settlements.

Figures in article accurate?

Difficult to judge. NIESR has selected individual grades within each public service group not average settlements for all members of the group. The comparisons look only at basic rates, not total earnings. They also exclude effects of recent Budgets in boosting take-home pay.

Government unfair/confrontational/discriminatory on public service pay?

No. Seeks low settlements throughout economy, based on what is needed to recruit, retain and motivate staff and what the employer - ultimately taxpayer and ratepayer - can afford. Different settlements for different public service groups reflect these factors.

Pay explosion in public services?

No sign of one in recent settlements, negotiations.

Time, in fairness, for public services to catch up? [Note: Burnham meeting on Teachers' pay Thursday 23 May]

- That's the fallacy of the "right level". No one has an entitlement to a particular point in the pay league. What matters is what can be afforded, what is needed to recruit and retain and motivate.
- If any group, public or private, has "fallen behind" that simply means that the right level for their pay relative to others has changed.
- Nothing to suggest that pay levels in the public services are unfair, taking account of the whole package which includes security and conditions of service. And any judgement of fairness must take account of what is fair to the taxpayer and ratepayer.



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

cc Richard Hatfield, CO

Telephone 01-405 5944

CONFIDENTIAL

A Turnbull Esq
10 Downing Street
London SW 1

21 May 1985

Dear Andrew,

REVIEW BODY REPORTS

When we spoke on the telephone this morning, I undertook to write to you about the availability of the Review Body Chairmen on 6 June to enable you and the departments concerned to consider arrangements for informing them of the Government's decisions on the reports in advance of the general announcement.

I understand that Sir John Greenborough is committed to an all-day meeting at Lloyds Bank, of which he has just recently been appointed Deputy Chairman. Sir Robert Clark has a lunch engagement at the National Westminster Bank (but could, I believe, get out of this if necessary). Sir David Orr is likely to be here in the morning and then has an engagement at the Royal Society. We could, therefore, run into some complications if the intention were that they should be seen by Ministers on the day, at least in the case of Sir John Greenborough, and of Sir David Orr particularly around the middle of the day. The position would be easier if they could be seen on the previous day, 5 June, when all of them (as things stand for the moment) would be available, but on the assumption that plans may not be completely settled before 6 June, I imagine that this will not be possible.

All of them will be contactable by phone on 6 June, and in the circumstances that might be the most feasible course (unless the nature of the decisions clearly renders it inappropriate). My feeling would be that, if it is decided to proceed on that basis, the suitable thing if possible would be for each of the Chairmen to be phoned some time before the announcement by the Secretary of State concerned (if someone could inform us here of the likely time of the phone calls, I am sure we could make arrangements to ensure smooth connections). I think it would be helpful if letters to the Chairmen, in the usual way, could then follow as soon as possible from the Prime Minister formally communicating what had been decided. Such an arrangement need not exclude the possibility of meetings subsequently between any of the Chairmen and the Prime Minister or appropriate departmental Minister if that were felt to be necessary in the light of the outcome. Chairmen will in any case, I am sure, want to take time to discuss the decisions whatever they may be with their colleagues.

./././.



- 2 -

I understand that you will arrange to let us have a copy of the announcement (and a supply of the printed reports) in due course, so that we can relay personal copies to members as soon as it is released. If there is any aspect of the draft on which I can usefully comment, or if I can help in the arrangements in any other way, please let me know.

I am sending copies of this letter to Richard Mottram at MOD and Steve Godber at DHSS.

Yours sincerely
Ronald Williams.

R W WILLIAMS



file

10 DOWNING STREET

17 May 1985

REVIEW BODY REPORTS

Further to our telephone conversation concerning the arrangements for the printing and distribution of the Review Body reports this year I am now able to give you the final departmental requirements.

The details are as follows:

10 Downing Street	Private Office	20 of each report
	Press Office	200 of each report

Customer Account number: 2501715

HM Treasury 12 of each

Customer Account number: 1/730/116780

Lord Chancellor's Office 12 of TSRB

Customer Account number: 211/4703

Ministry of Defence

Private Office, Main Building	35 of Armed Forces
	10 of TSRB

PL(SPP)B, Room 8152, Main Building	71 of Armed Forces
	25 of TSRB

Navy, NP(P&F)1, Room 322, Archway Block South, Old Admiralty Building, SW1	900 of Armed Forces
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Army, PS(10) Army, Room 1023,
Empress State Building,
Lillie Road, Fulham SW6 2,300 of Armed Forces

RAF, DD(PS6) RAF, Room 311,
Astral House,
Theobolds Road, WC1 1,900 of Armed Forces

Customer Account number: 178/501/0001

DHSS, Private Office,
Alexander Fleming House,
Elephant and Castle. 400 of Nurses
200 of Professions Allied to Medicine
450 Doctors and Dentists.

Customer Account number: 1/880/99/1063

Chancellor of Duchy of Lancaster,
Private Office, Government
Offices, Great George Street,
SW1 3 of TSRB

Customer Account number: 725/35/8110

All of these reports should be packaged and labelled as above, and sent to No. 10 for forwarding when you have received a phone call from No. 10 on the day of publication giving the go-ahead; at the same time you will be authorised to distribute the reports **under embargo** to the Vote Office, House of Commons; the Printed Paper Office, House of Lords; and 50 copies of each report to the Office of Manpower Economics.

As I confirmed on the phone the TSRB report will be some time behind the others.

I have also been asked to tell you of two further requirements for the Doctors and Dentists Review Body Report:

1,140 copies should be sent to: Mr J Ford
British Medical Association
BMA House
Tavistock Square
London WC1

and,

300 copies to: Miss D Scarrot
British Dental Association
64 Wimpole Street
London W1

These organizations should be billed directly; could you please arrange for them to receive their copies direct from HMSO as soon after publication time as possible.

Please let me know if you require any clarification or further information.

MISS NICKY ROCHE
Parliamentary Clerk

Mrs Tassell
P3A
HMSO
51 Nine Elms Lane
London SW8

PRIME MINISTER

To allow time for preparation of papers, draft announcement and printing, a decision is needed on Monday on whether to go for Cabinet discussion and announcement this coming Thursday. Mr Fowler recommends delay until after Whitsun:-

- (i) because he has still not finalised the staging package he was asked to produce last Wednesday.
- (ii) announcement before the Recess leaves the story to run unguarded through the Recess.
- (iii) he is busy finalising the social security reviews.

Sir Keith Joseph (para 5 of his minute of 17 May in the folder for the teachers' pay meeting) also argues for delay to allow time to make progress with teachers.

You could delay to 6 June without being later than last year.

You may want to have a brief word after E(LF) and before lunch, which Mr Fowler is not attending, to resolve this. Agree?

I have looked further into the method of announcement. Only once have you made a statement - for the TSRB in 1980 when MP's pay was a major part of the issue. On all other occasions the TSRB has been announced by written answer and the armed forces and doctors reviews have always been by written answer. Written answer was the norm under labour.

I see no advantage in departing from this practice to which you would find it very difficult to return. The difficulty this year is not the Government's decisions which

are generous (though they will generate ritual protest) but the comparison with civil servants, teachers and other less favoured pay groups. The natural stance in a statement is to be upbeat which only makes these comparisons worse. I understand you were concerned that the Thursday before the Recess might be thought "hole in corner". If this course were adopted I see no difficulty - one makes a virtue of getting the results quickly.

Duty Clerk

PP Andrew Turnbull

17 May 1985



10 DOWNING STREET

15 May, 1985

From the Private Secretary

PAY REVIEW BODIES

The Prime Minister held a meeting today to discuss the Government's response to the reports of the Pay Review Bodies on Armed Forces, Nurses, Professions Allied to Medicine, and Doctors and Dentists. Present were the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Defence, Scotland, Social Services, and Employment. Also present were Mr. Gregson and Mr. Wiggins.

The Prime Minister thought the Government would have to accept, without abatement, the increases recommended by the Review Bodies, though it was open to it to stage those increases in order to contain the cost within existing departmental budgets.

The Secretary of State for Defence considered that the recommended increase by AFPRB of 7.3 per cent should be implemented in full without staging. Although this would have a damaging effect on equipment purchases, it could be contained within the Defence Budget. There was increasing evidence of poor morale in the Armed Forces, which had been increased by the reductions in the local overseas allowance. The number of men leaving the Armed Forces was rising.

The Secretary of State for Social Services endorsed the structure of the recommendations for nurses and professions allied to medicine, giving the largest increases for the main career grades. He also considered that the levels recommended were not over generous. Nevertheless, he could not meet the costs of the recommendations without staging. To contain the cost within the increase of 5½ per cent allowed for the health service while bringing the second stage into effect before Christmas would require the first payment to be around 4 per cent. This could appear harsh for the lowest paid grades who were receiving small increases in total. Even staging in this way would absorb all the money originally set aside for improvements in services. If the first stage were 5 per cent, with the second stage still before Christmas, he would need an extra £28 million from the Contingency Reserve in 1985-86.

SECRET

Although staging would reduce the cost in this year it would have a carry-over effect into 1986-87. Whilst by then it would be possible to find some economies, he doubted it would be possible to meet the full costs in this way. It was agreed that the provision for 1986-87 should be considered as part of the expenditure round.

The Secretary of State for Social Services suggested that, rather than staging the award for doctors and dentists, it should be paid in full, but from 1 June.

In discussion, it was argued that no new money should be made available from the Contingency Reserve. Not only would this add to the already great pressures on public expenditure but it would undermine the position of the Education Ministers who were continuing to maintain that no more money could be made available to finance a higher settlement for the teachers, even one arising from arbitration. Even staged awards would be bound to aggravate the already difficult negotiations with the teachers.

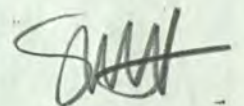
It was noted that, despite the efforts of the Government to get the Review Bodies to pay more attention to recruitment and retention, their reports still placed too much emphasis on comparability. Although the recommendations of the AFPRB incorporated some differentiation between ranks, this was still much less than was justified by market conditions.

Summing up the discussion, the Prime Minister said that the costs of implementing the Review Body recommendations should be contained within departmental bodies without recourse to the Contingency Reserve. The award to the Armed Forces should be paid in full from 1 April without staging. The award for doctors and dentists should be paid in full from 1 June. The Secretary of State for Social Services was invited to consider how best to structure the staging for nurses and professions allied to medicine while containing costs within existing provision. Any increase in board and lodging charges would have to be subject to similar staging. The Secretary to the Cabinet was invited to prepare a paper for Cabinet incorporating these conclusions. The Prime Minister would consider further when this should be put to the Cabinet and when the outcome should be announced.

I am sending a copy of this letter Elizabeth Hodgkinson (Department of Education and Science), Richard Mottram (Ministry of Defence), John Graham (Scottish Office), Steve Godber (Department of Health and Social Security), David Normington (Department of Employment) and Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

Mrs R. Lomax,
HM Treasury





SECRET

P.01542

PRIME MINISTER

Armed Forces and National Health Service
Pay Review Body Reports 1985

You are meeting the Ministers primarily concerned, to consider the Government's response to these Review Body Reports, on Wednesday 15 May 1985. Sir Robert Armstrong's minute to you of 13 May 1985, which has been copied to all the other participants in the discussion, summarises the recommendations in each case, the problems they pose for the Government, and the options available to Ministers in responding to them.

Questions to be settled

2. The Government needs to reach a view on
 - i. whether the recommended salary awards should be accepted;
 - ii. the amounts of the paybill increases to be accommodated in 1985-86, and how the money is to be found;
 - iii. whether some consistent treatment is required for all three groups covered by the reports (i.e. armed services, doctors and dentists, and nurses and members of the professions allied to medicine (PAMs));
 - iv. the implications of the awards for the Government's future public expenditure plans;
 - v. whether, if payment of the awards were to be staged, the Government should offer to negotiate with doctors and/or nurses representatives on the precise details of the staging, given a predetermined cost envelope;



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vi. arrangements for discussion of the issues by the Cabinet;

vii. the timing and content of any announcement.

It may be helpful to tackle the questions in the order listed above.

Acceptability of the awards

3. The awards are uncomfortably high, but the Government has undertaken to accept the Reports of the Review Bodies (RBs) unless there are compelling reasons for over-riding them, and it is doubtful whether any Review Body whose recommendations were rejected would be willing to continue to serve. If the system broke down, there could be serious industrial relations difficulties in the NHS. It seems probable, however, that the RBs would reluctantly accept the staging of their recommendations if the new higher pay rates were to be endorsed by the Government and fully implemented well before the end of the current financial year.

Amounts and implications of paybill increases in 1985-86.

4. The awards are all far in excess of the public expenditure provision for pay increases (3 per cent for the armed forces and - on a different basis - 5½ per cent for most of the NHS). Last year the nurses and PAMs received their awards in full on 1 April; the armed forces and doctors and dentists awards were staged on a consistent basis - with the first 3 per cent paid on 1 April and the remainder on 1 November. Because pay represents a much smaller proportion of the defence budget than of NHS costs, any given percentage excess can be absorbed by the Ministry of Defence with relatively less damage to military capability than the NHS would incur in terms of reduced patient care.

5. The Social Services Secretary has undertaken not to ask for additional money from the Reserve save in exceptional circumstances as the condition for his cash-limited NHS



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programmes receiving a 5½ per cent cash uplift. Because of rising demands on the service (particularly from growing numbers of old people), he cannot accommodate a paybill increase greater than 5½ per cent, and even this will mean the loss of intended service improvements and actual service reductions in relatively well-provided for S.E.England.

Consistent treatment and staging

6. The choices are

- a. decide each group separately on the basis of its individual circumstances;
- b. permit a common increase - say 5½ per cent - in the paybill for each group, and stage the awards accordingly. This imposes the largest in-year reduction in cash received on the groups receiving the largest awards;
- c. impose a common staging, which results in the groups for which the largest increases are recommended receiving the largest cash increases within the financial year.

7. The following factors need to be taken into account:

a. AFPRB

There was considerable resentment in the armed forces about last year's staging; staging has a disproportionate impact on the pensions of those retiring before the full new pay rates are in operation. The armed forces have also been disappointed by reductions in certain overseas allowances consequent upon some recovery of the £ sterling against local currencies. The Chairman of the Review Body has urged strongly that the awards be implemented in full this year from 1 April.



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b. NRB

This is the first occasion on which this body has been able to review fully the appropriate pay levels for each grade of nurses and PAMs, and the result is a substantial pay restructuring which gives most to the main grades of trained professionals actually engaged in patient care. This restructuring looks sensible in managerial terms, and may well attract wide public support. But if accepted, it could be seen as reinforcing the case for a comparable restructuring within the teaching profession (which has so far been offered a flat 4 per cent or arbitration).

c. DDRB

This is the smallest of the awards, and is only marginally above the rate of private sector settlements in the current pay round (public sector negotiated settlements have generally been around 5-5½ per cent). It is below the current rate of growth of earnings (7½ per cent), while the April RPI (published on 17 May) will show an increase of 7 per cent. If there were not to be some consistent staging of all the increases, and the AFPRB were to be implemented in full on 1 April, there could well be advantage in implementing the DDRB awards in full on 1 June (the earliest date consistent with a 5½ per cent increase in the doctors' and dentists' paybill).

Longer term implications

8. The 1985 awards, if implemented in full, will increase the paybill baselines for 1986-87 by substantially more than present public expenditure plans allow - given that the 1986 RB awards will also need to be met out of the same cash allocations. In the defence budget case the cumulative squeeze, although painful, may be capable of being absorbed by rephasing the timing of equipment purchases, etc. In the case of the NHS action is being taken over a wide front to secure efficiency savings, under the supervision of the new NHS Management Board.



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Any savings achieved would reduce the scale of the problem; but there are heavy and increasing pressures on the NHS, and it seems very unlikely that it will be possible to avoid an additional bid covering at least part of the excess above 5½ per cent in the 1985 recommendations. This will have to be discussed in the 1985 Public Expenditure Survey.

Negotiations with BMA and RCN

9. The NHS Regulations provide for negotiations with doctors' and nurses' representatives before awards are implemented. Because of this, representatives of each group are informed of their own awards immediately before publication of the reports, and they have the opportunity to register their views on the Government's decisions. Last year the awards for the nurses and PAMs were implemented in full from 1 April, leaving no real scope for negotiation, while the doctors (who of course did not know at the time about the different treatment of the nurses and PAMs) did not demur at the staging of their award. On this occasion DHSS contemplate that at least the nurses and PAMs might be given a genuine opportunity to influence the shape of staging (i.e. the amount of the first payment and the timing of the second) within a given cost envelope. This would add to the complexity of the exercise, and would preclude a precise announcement of the Government's response to the awards. Ministers may wish to discuss whether it is possible to avoid this.

Discussion in Cabinet

10. If the 15 May meeting reaches a clear agreement, we envisage that the Secretary of the Cabinet would then produce a paper for discussion at Cabinet on 23 May pointing towards the conclusions reached by the Ministers most closely concerned. If the issues prove more difficult, it may be necessary to hold another meeting of the restricted group, in which case Cabinet discussion would have to be postponed until 6 June.



SECRET

Announcement

11. Once the Reports have been discussed, and conclusions reached, by Cabinet, there is much advantage in their immediate publication, together with the Government's decisions. We envisage publication on the day of the Cabinet discussion, with the decisions conveyed in a Written Answer you would give. Printing of the Reports has already been arranged, and the Secretary of the Cabinet will prepare a suitable draft Answer in the light of the conclusions reached on 15 May.

CONCLUSIONS

12. You will wish to reach conclusions on:

- i. whether, in respect of each of the three Review Bodies (AFPRB, NRB and DDRB)
 - the recommended increases should be implemented in full from 1 April, or
 - the effective increases over the period to 1 April 1986 should be reduced, and if so, how;
- ii. when and how the proposals for implementation should be:
 - put before the Cabinet, and (when approved)
 - announced.

PLG

P L GREGSON
Cabinet Office
14 May, 1985



Ref. A085/1329

PRIME MINISTER

Armed Forces and National Health Service
Pay Review Body Reports 1985

At your meeting on 8 May, I was asked to prepare a paper setting out the options for the Government in responding to the Review Body recommendations while, keeping, as far as possible, the costs within Departmental Budgets.

THE RECOMMENDATIONS

2. All these Review Bodies have recommended pay increases from 1 April 1985 in excess of the allowances for such increases in the 1985/86 public expenditure provisions. The average increases, and the excesses over the cash provisions are summarised in the following table:

<u>United Kingdom Figures</u> <u>Throughout</u>	Recommended increases averaging	Total costs in 1985-86	Excess over existing provision*
	%	£m	£m
Armed Forces	7.3	<u>216</u>	<u>127</u>
Doctors and Dentists			
(i) Hospital and Community Health Services (including distinction awards)	6.4	76	22
(ii) Family Practitioner Services	6.2	92	22
Nurses, Midwives	8.6) average		
Professions allied to Medicine	12.1)	8.96 370	<u>182</u>

*assumed to be 3 per cent in the case of the armed forces, and 4½ per cent for the NHS (ie providing for 1 per cent service improvement in the HCHS).



3. The shape of the increases recommended for each group is --- summarised in the attached note (Appendix A).

THE PROBLEM

4. The Government has undertaken to accept the reports of the Review Bodies unless there are compelling reasons for overriding them. Implementing all the awards in full from 1 April would, however, create acute financing problems for the NHS; the Ministry of Defence (MOD) could absorb the additional cost, though only at the expense of other parts of the defence programme, in particular equipment. It would also have embarrassing implications in relation to other public sector groups (eg the teachers and non-Review Body staff in the NHS) who have settled for or been offered pay increases of under 5 per cent on the grounds that more cannot be afforded.

OPTIONS

5. In principle, the following broad options are open to the Government:

i. accept the recommendations in full from 1 April 1985, and either absorb the extra costs by corresponding expenditure reductions elsewhere in the programmes, or provide money from the Reserve;

ii. abate the awards, so as to bring the costs of pay increases within existing provision;

iii. accept the pay levels recommended and bring them into full effect before 31 March 1986, but stage the increases so as to bring the total expenditure within the financial provision.

6. Although option iii. would contain the financial problem during the current year, like i. it would have the effect of increasing the wage bill in 1986-87 and subsequent years by substantially more than has been allowed in the Government's public



expenditure plans. These consequential and the room for offsetting savings would need to be resolved in the forthcoming Public Expenditure Survey.

Payment in Full From 1 April 1985

7. The Secretary of State for Defence is prepared to accept this course for the armed services, whose pay award was staged last year. The excess represents some 0.7 per cent of the total defence budget and absorption within their provision for the current year would require savings in expenditure on equipment and supplies, with consequential effects on defence capability.

8. In the case of the NHSS, the Secretary of State for Social Services accepted a 5½ per cent increase in cash provision on the basis that except in exceptional circumstances he would make no claim on the 1985-86 Reserve in respect of the cash-limited Hospital and Community Health Services (HCHS) programme (the provision for the non-cash limited Family Practitioner Service (FPS) programme is 4½ per cent). The benefit of programmed efficiency improvements in the HCHS, together with the 1 per cent lead on then forecast inflation, were intended to provide for the growing number of old people and other severe pressures; even accepting a 5½ per cent increase in HCHS review body groups' pay would mean giving up most of the one per cent service improvement money. In South East England, where cash provision is being held back in order to make more resources available to other parts of the country, resources would be cut 1 per cent. Implementing the awards in full from 1 April would not only absorb the whole of the 5½ per cent provision but make it necessary to find a further £151 million from the HCHS or other programmes or from the Reserve. The excess on the non-cash limited FPS (£22 million for a full year) would fall to be met from the Reserve in due course.

Abatement of the Awards

9. This would overcome the public expenditure problem for the current year, but the Review Bodies, if they remained in operation, would almost certainly increase their recommendations next year by



whatever amounts had been withheld this year. There would be very substantial political difficulties with this course, and it is doubtful whether the members of the Review Bodies would be willing to continue their service, or whether the professions concerned (British Medical Association, Royal College of Nursing) would stay with the system.

Staged Payment

10. There are three possible approaches to staging, thus:

a. Common dates. Under this arrangement a common percentage would be given from 1 April 1985 and the balance of the award from a common further date later in the year. The table below sets out one possibility. The essential point is that it would give different cash percentage increases for the various groups for the year 1985-86: the HCHS groups as a whole would get 5½ per cent more cash in 1985-86, but the doctors and the armed forces would get smaller increases in percentage terms. For all groups the rates recommended by the Review Bodies would be in effect from 1 December 1985. Other possibilities could give more (or less) from 1 April and the balance from later (or earlier) than 1 December.* This example has been chosen as the one that gives the maximum immediate payment that would be consistent with paying the balance with effect from 1 December.

	<u>4 per cent</u>	<u>Balance</u>	<u>Pay Bill</u>
Nurses etc	1 April	1 December	5.7
Doctors	1 April	1 December	4.8
HCHS combined	1 April	1 December	5.5
Armed Forces	1 April	1 December	5.1

* You will need to consider whether a 5 per cent first stage and later payment of the balance would be better. The advantage of this alternative is that those with low pay and increases of only 5 per cent⁴ so some training grades would not get caught up in staging.



b. Common pay bill increases for the year 1985-86. Under this arrangement a given amount would go to each group from 1 April, and the balance would go from whatever date later in the year would give the percentage increase on the pay bill for each group looked for. The following table shows the possibilities here. It assumes a 5½ per cent constraint on the pay bill for each group:

	<u>4 per cent</u>	<u>Balance</u>
Nurses etc	April	mid-December (5%)
Doctors	April	mid-August (2.4%)
Armed Forces	April	mid-October (3.3%)

c. No particular pattern. Under this arrangement different groups could be treated differently.

11. Patterns of dates and rates other than those shown in a. and b. --- are possible; further details are in Appendix B. To the extent that the April pay increase is more than 4 per cent, either later dates are required for the balance, or the total costs are increased.

12. Approach a. was that adopted (except for the Nurses, Midwives and PAMs) last year. The different amounts that would be received by the different groups in the course of 1985-86 reflect the differing sizes of the recommendations made.

13. Approach b. subjects each of the groups to the same cost constraint of 5½ per cent. The Nurses, Midwives, and PAMs would receive full implementation substantially later than the other groups, because the total increase recommended by the Review Body is larger than the totals for other groups.



14. If there were not to be consistent treatment for all groups, and the Armed Forces report were implemented in full from 1 April, there could be some advantage in treating the Doctors as much like the Armed Forces as possible, and sharply distinguishing the other groups. The AFPRB and DDRB awards would then be presented as uplifts under an established system, while the Nurses, Midwives and PAMs would be presented as the consequence of a fundamental review of their levels of pay. On this approach, and within the 5½ per cent ceiling, the DDRB award could be implemented in full on 1 June, only two months after the AFPRB, while the Nurses, Midwives and PAMs would have an initial payment of, say, 4 per cent on 1 April, with those grades concerned then getting the benefit of the restructuring increases from 9 December 1985.

IMPLICATIONS FOR PUBLIC EXPENDITURE PLANS

15. Even if the AFPRB award is given in full, the Ministry of Defence would absorb it by reducing expenditure elsewhere within the current budget for 1985-86; to the extent that it was staged the reduction in money available for other defence purposes would be smaller. For the National Health HCHS programme, an overall 5½ per cent pay bill cost could be absorbed for 1985-86 at the costs of removing practically all the intended service improvements save through efficiency savings that it might be possible to achieve. There would, however, be an inevitable addition to public expenditure by way of increase in the non-cash limited NHS FPS expenditure, which would be £22 million if the DDRB recommendations were given in full, and less if staged. The consequences for later years would be for consideration in the forthcoming Survey, as indicated above.

PENSIONS EFFECT

16. Any delay or staging of the awards will have the effect of reducing permanently the pensions of people who retire during the relevant period and whose salary of reference for pension purposes is therefore reduced. This effect would be particularly marked and particularly resented in the case of the Armed Forces, whose pensions are based on pay rates at time of retirement. NHS pensions are based



on the final year's pay, and the problems would be similar if less acute. Ministers have held firmly to the decision announced in April 1984 not to base pensions on notional rather than actual salary at the time of retirement, and any different course now taken would precipitate numerous awkward demands to reopen that decision, and to reopen it retrospectively.

OTHER CONSIDERATIONS

17. There are a number of other points Ministers may wish to bear in mind:

a. Regulations require that before pay awards for the Nurses and Doctors are implemented a process of negotiation take place (this can be and normally is a formality). It would be possible, if staging were being adopted within a cost envelope of say $5\frac{1}{2}$ per cent, to offer a particular arrangement (for instance, that outlined in para 10(a) above) but to indicate readiness to discuss with staff representatives other patterns of staging within this cost envelope. But the Government has never before offered to negotiate on the pattern of staging Review Body awards.

b. As well as recommendations on pay increases the AFPRB also make recommendations for increased charges for accommodation and food etc. The Ministry of Defence would wish the introduction of at least some of the increased accommodation changes to be staged in any case, even if the awards were implemented in full from 1 April.

c. In giving any or all of the awards in full, or even in keeping the 1985-86 pay bill to say $5\frac{1}{2}$ per cent, Ministers would wish to bear in mind the implications for other public service groups. Teachers are stuck at 4 per cent. Some NHS non-Review Body staff have rejected 4.45 per cent. A number of public service negotiations are outstanding. It is to be hoped that they can all be restrained within the benchmark of 4.9 per cent



now being set by the non-industrial Civil Service. Higher awards than this to the Review Body groups would give rise to increased pressures elsewhere, including the NHS non-Review Body staff. An announcement on 23 May of decisions on the Review Body reports would be against the background of an RPI increase to be published on 17 May almost certainly exceeding 6½ per cent.

18. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretary of State for Defence and the Secretary of State for Social Services.

REA

ROBERT ARMSTRONG

13 May 1985

Pay Review Body Reports 1985

This note summaries the recommendations in the following review body reports:

- i. Armed Forces Pay Review Body (AFPRB);
- ii. Review Body for Nursing Staff, Midwives, Health Visitors and professions allied to medicine (NRB):
 - a. on nursing staff, midwives and health visitors;
 - b. on professions allied to medicine;
- iii. Doctors and Dentists Review Body (DDRB).

Their recommendations in all cases take effect from 1 April 1984. Because the Top Salaries Review Body (TSRB) on higher civil service, senior service officers, and the judiciary is undertaking a special review of the case for pay differentials reflecting differences in the responsibilities carried by different posts, that Report is not expected until June.

SECRET

AFRRB recommendations for 1985.

2. The AFPRB estimate that the net cost of their recommendations will add 7.06 per cent (£190.6 million) to the estimated pay bill for the regular forces for 1985-86. The number affected is 330,000. A further £14.6 million increases are proposed for reservists, making an overall increase of 7.3 per cent in the armed forces pay bill.

3. The increases for selected ranks are:

	Now being paid	£ proposed	% percentage increase
Brigadier and equivalent	27,101	29,401	8.5
Captain(Army) and equivalent	11,330-13,160	12,217-14,188	7.7
Sergeant and equivalent	8,472-10,184	9,088-10,939	7.3-7.5
Private and equivalent	4,807- 7,490	5,000- 8,026	4.0-7.2

NRB recommendations for nursing staff, midwives and health visitors.

4. The NRB estimate that the cost of their recommendations will add 8.6 per cent (£282 million) to the estimated 1985-86 pay bill for nursing staff etc. The number affected is some 483,000 in 'whole-time equivalent' terms.

5. The increases for selected grades are:

	Now being paid	£ proposed	% percentage increase
Regional Nursing Officer(RI)	20,491-26,235	21,520-27,550	5.0
District Nursing Officer (England) (DHAT(T))	19,002-24,882	19,955-26,135	5.0
Senior Nurse 4	10,423-12,147	11,650-13,370	11.8-10.1
Nursing Sister II	6,827- 8,751	7,480-10,000	9.6-14.3
Staff Nurse (SRN)	5,398- 6,582	6,000- 7,175	11.2- 9.0
Enrolled Nurse	4,861- 5,864	5,270- 6,500	8.4-10.8
Nursing Auxiliary/Assistant (aged 18 or over)	3,777- 4,828	3,950- 5,120	4.6- 6.0

SECRET

NRB recommendations for professions allied to medicine 1985

6. The NRB estimate that the cost of their recommendations will add 12.1 per cent (£31.8 million) to the estimated 1985-86 pay bill for professions allied to medicine (physiotherapists, radiographers, chiropodists, dietitians etc). The number affected is 34,980 in 'whole-time equivalent' terms.

7. The increases for selected grades are:

	£	£	%
	<u>Now being paid</u>	<u>proposed</u>	<u>percentage increase</u>
District Senior Chief	12,100-13,566	13,485-14,880	11.4- 9.7
Senior 1	7,727- 8,747	8,910-10,200	15.3-16.6
Basic grade	5,796- 6,560	6,505- 7,450	12.2-13.6

DDRB recommendations for 1985.

8. The DDRB estimate that their recommendations will add 6.3 per cent (£122 million) to the annual pay bill for doctors and dentists. The number affected is 111,600.

9. The increases for selected grades are:

	£	£	%
	<u>Now being paid</u>	<u>proposed</u>	<u>percentage increase</u>
Consultant [†]	20,200-26,080	21,460-27,700	6.2
General medical practitioner (intended average net remuneration)	22,070	23,440	6.2
General dental practitioner (target average net income)	19,100	20,280	6.2
Registrar	10,130-12,270	10,760-13,030	6.2

[†] increases in distinction awards bring the total for hospital doctors and dentists to 6.4 per cent.

OPTIONS FOR STAGING

APPENDIX B

Cost to HCHS of
full implementation
1 month earlier
UK £m

a. Common dates (HCHS* paybill held to 5½%)

1. 3% April, balance mid October. Paybill:	nurses etc 5.7%)	24
	∕ doctors 4.6%)	
	armed forces 5.0%)	
2. ∅4% April, balance 1 December. Paybill:	nurses etc 5.7%)	19
	∕ doctors 4.8%)	
	armed forces 5.1%)	
3. 5% April, balance mid February. Paybill:	nurses etc 5.5%)	15
	∕ doctors 5.2%)	
	armed forces 5.3%)	

b. Common paybill (5½%)

1. 3% April, balance:	nurses etc 1 November (6%)	21
	∕ doctors mid July (3.4%)	
	armed forces 1 September (4.3%)	
2. ∅4% April, balance:	nurses etc mid December (5%)	17
	∕ doctors mid August (2.4%)	
	armed forces mid October (3.3%)	
3. 5% April, balance:	nurses etc mid February (4%)	14
	∕ doctors mid November (1.4%)	
	armed forces mid January (2.3%)	

∕ Note: figure for hospital doctors. Family practitioner doctors and dentists award is slightly lower (6.2%).

∅ As in main paper para 10.

* HCHS: hospital and community health services.

SECRET

ADDITIONAL COST 1985-86 ASSUMING SAME STAGING AS HOSPITAL DOCTORS
(ie Cost in Excess of 4½% Provision)

	<u>UK</u> £m
Option a1.	3
Option a2.	6
Option a3.	11
Option b1.	12½
Option b2.	13½
Option b3.	13½

Note: GMP expenses recommendations would be implemented in full from 1 April. The DDRB would need to recalculate the fees and allowances for the first stage. This is not a difficult job.

SECRET



a MASTER

76 VC

10 DOWNING STREET

From the Private Secretary

8 May 1985

Dear Rachel.

REVIEW BODY REPORTS

The Prime Minister held a meeting today to discuss the reports of the Review Bodies on the Armed Forces, Doctors and Dentists, Nurses, and Professions Allied to Medicine. Present were the Chancellor of the Exchequer, the Secretary of State for Defence and the Secretary of State for Social Services. Also present were Sir Robert Armstrong, Mr. Gregson and Mr. Wiggins.

The Prime Minister said the recommendations of the Review Bodies presented the Government with a familiar dilemma. The higher the pay awards the less could be afforded for equipment and the smaller the numbers that could be employed. She had made these points strongly to Sir David Orr and Sir Peter Matthews when they had come to see her. On the Armed Forces, she was aware of the reports of low morale. Following the staging of last year's award, she hoped it would be possible this year to make the award in full. On Nurses, she did not feel the salary levels which were proposed for experienced nurses were excessive in relation to pay elsewhere. She hoped that the cost of meeting the awards could be made within existing provision for departmental programmes.

In discussion it was argued that the recommendation for Nurses and Professions Allied to Medicine represented the second stage of a restructuring. The Government could announce that it accepted in principle the large increases for the main career grades (indeed the general shape of the recommendations was a sensible one) but part of the larger increases should be staged. This would help contain the costs within the 5½% increases for the health service provided for 1985-86. While the full award would raise the base line for 1986-87, there would then be the possibility of achieving efficiency savings.

In further discussion the following points were made;

- (i) Comparison with teachers and civil servants had to be borne in mind. It was possible to differentiate the awards for nurses as being part of a restructuring, something which the teachers were unwilling at present to discuss.

(ii) Comparisons would also be made between doctors and dentists, for whom no special factors applied, and other public sector groups. It would be difficult, however, to stage the award to doctors and dentists as it was lower than that recommended for the other Review Body groups.

(iii) If staging were adopted it should not be beyond 1 November which would permit the second stage to be paid before Christmas.

Summing up the discussion, the Prime Minister invited the Secretary to the Cabinet, in consultation with departmental Ministers, to prepare a paper setting out the options for the Government in responding to the Review Body recommendations while keeping, as far as possible, the costs within departmental budgets. The paper should include details of both basic pay and earnings including over-time of the various grades discussed. The paper should be considered at a further meeting in a week's time to which the Secretaries of State for Education and Science, Employment and Scotland should be invited. If possible the Review Body reports should be considered by Cabinet on 23 May with decisions to be announced later that day.

I am copying this letter to Richard Mottram (Ministry of Defence), Steve Godber (DHSS) and Richard Hatfield (Cabinet Office).

Your sincerely

Andrew

ANDREW TURNBULL

Mrs Rachel Lomax,
HM Treasury.

NOTE FOR THE RECORD

LORD PLOWDEN: CIVIL SERVICE PAY AND MORALE

Lord Plowden came to see the Prime Minister today to give her a preliminary account on the work of the TSRB. Its report would not be ready until mid-June as the review this year was a more fundamental one, looking at appropriate levels of pay rather than simply increases. In addition, a separate sub-committee had been established on the judiciary and the review was looking at the issue of job weighting for Permanent Secretaries.

Lord Plowden said the review team had looked not only at the open structure but also at grades below. The review team had visited four Departments and six military establishments. He, and other members of the team, were extremely concerned about the state of morale in the Civil Service which they had encountered. This was manifesting itself particularly in the outflow of good fast-stream Principals and a failure to attract high-quality applications. Difficulties were being experienced in recruiting and retaining specialists such as technologists and lawyers. The problem was one of quality rather than numbers and would present severe problems for the management of the higher Civil Service in years to come. Sir Robert Armstrong confirmed that the outflow of good quality Principals was continuing at a rapid rate.

The reasons for this state of affairs were complex. It was partly a question of pay, partly a reduction in promotion prospects in a declining Civil Service, and partly a question of the esteem in which the Civil Service was held, by Ministers, the media and the public generally.

The Review Body would be considering ways in which these problems could be encountered. One response would be to widen differentials between the higher grades. This was

likely to lead to recommendations in excess of 5 per cent. They were also considering range pay for Under and Deputy Secretaries. Unlike merit bonuses, higher pay for better performance would be built into basic salaries. Lord Plowden said he remained sceptical about differentiation in the pay of Permanent Secretaries. He regarded differentiation in the pay of Under and Deputy Secretaries as a higher priority.

Lord Plowden urged the Prime Minister to take the lead in stating that the Civil Service was highly regarded and represented a worth-while career. Ministers must stop disparaging the Civil Service.

It was agreed that Lord Plowden would come to see the Prime Minister again when he was ready to present the report of the Review Body.

AT

8 May 1985



10 DOWNING STREET

Prime Minister

Lord Plouder is coming
to see you at 16.45
to give his preliminary
reactions on TSRB. He
also mentioned his concerns
about "civil service morale".

RTA will also attend.

AT

7/5



SECRET

P.01536

PRIME MINISTER

Review Body Reports 1985

The attached note summarises the 1985 recommendations of the armed forces and health services pay review bodies. (The Top Salaries Review Body (TSRB) is not expected to report until some time next month, because of the extra time needed to review the case for salary differentials to reflect differences in the responsibilities carried by different posts.) They raise the following main issues.

- i. Some of the annual increases recommended (7.06 per cent on average for the armed forces, 8.6 and 12.1 per cent on average for the nurses and professions allied to medicine, and 6.2 per cent for the doctors and dentists) are substantially above the current average level of settlements both in the private sector (average in the pay round so far 6 per cent) and in the public sector (average so far ~~just~~ about 5½ per cent).
- ii. There may well be repercussions for the public sector pay negotiations still pending and, in particular, those for the following groups:
 - NHS staff not covered by review bodies;
 - schoolteachers in England and Wales, and Scotland.
- iii. The increases are well in excess of the pay factor of 3 per cent on which the expenditure provision for 1985-86 has been based. If the recommendations are accepted in full, Departments will either have to absorb the excess or make a call on the contingency reserve.



SECRET

2. The purpose of your meeting is to take a preliminary view of how far the recommendations should be accepted, to discuss the timing of publication of the reports and of announcements of Government decisions, bearing in mind the possible impact on outstanding public sector negotiations; and to consider the arrangements for further Ministerial discussion of the reports.

AFPRB Report

3. It may be convenient to start with the AFPRB Report. The 1979 Manifesto contained the commitment: 'We will bring Servicemen's pay up to full comparability with their civilian counterparts and keep it there.' The 1983 Manifesto made no explicit reference to comparability or to future action and says: 'We have honoured our promise to give our regular and reserve forces proper pay and conditions'. Last year's recommendations were accepted in full, as in previous years since 1979, but only 3 per cent of the total increase of 7.6 per cent was paid from 1 April, with the remainder delayed until 1 November.

4. The 1985 average increases of 7.06 per cent are somewhat lower than those recommended last year, and also somewhat below the current underlying average annual rate of increase in earnings for the economy as a whole, estimated at about 7½ per cent. The increases recommended are not uniform, and range from 4 per cent for unskilled recruits through 7-7½ per cent for experienced NCOs to 8½ per cent for the most senior officers (up to the rank of Brigadier). The 7½ per cent recommended for skilled and experienced personnel reflects the Review Body's judgment on the pay levels required to retain sufficient numbers of such people in the armed forces.

5. The excess over the 3 per cent PESC provision for rising costs resulting from full implementation of the AFPRB recommendations would be about £120 million, or about 0.6 per cent of the total Defence Budget of £18.1 billion. However that Budget



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will also have to absorb the impact of pay increases of about 4.9 per cent for civilian staff (it appears likely that the civil service unions will reluctantly acquiesce in the Treasury's final offer of 4.9 per cent, given the Employment Secretary's refusal of their request for arbitration), as well as the full impact of last year's AFPRB increases. Now that the NATO pledge of a 3 per cent real increase each year in defence spending is coming to an end, the Defence Secretary has put down a marker in the context of plans for the 1985 Public Expenditure Survey about the difficulties he faces as a result of the allowance in cash planning made for rising costs falling short each year of actual inflation.

DDRB Report

6. The DDRB recommendations - 6.2 per cent for hospital doctors and the same for GPs and dentists - are a little lower than last year's (6.9 per cent), and imply a relatively modest excess over the PESC provision. The NHS has been allowed a $5\frac{1}{2}$ per cent increase in cash expenditure between 1984-85 and 1985-86; this has been presented by Health Ministers since last autumn's economic statement as $4\frac{1}{2}$ per cent for inflation plus 1 per cent for real improvement in services. For the cash limited hospital services the excess above $4\frac{1}{2}$ per cent is about £22 million (for the whole UK); for the non-cash limited family practitioner services, the excess above the PESC baseline is estimated at $\text{£}14\frac{1}{2}$ million. (A settlement for the non-Review Body NHS groups at the same level as the civil service would imply an excess of about £12 million.)

Nurses Review Body Reports

7. The AFPRB and DDRB reports - both of them recommending lower increases than last year - could probably be accepted in full without significant adverse impact on pay negotiations elsewhere; and it may be that the squeeze on forces capability/ service levels implied by rejecting any consequent claim on the Contingency Reserve would not present intolerable difficulties. But the recommendations for nurses and the professions allied



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to medicine (PAMs) will cause much greater difficulties. Last year was this Review Body's first year of operation, and the increases recommended (7½-8 per cent) were avowedly on an interim basis until a full review could be completed of the appropriate level and structure of these salaries. The high average (8.6 per cent for nurses and 12.1 per cent for PAMs) increases now recommended conceal significant differences in the treatment of different groups, with relatively lower increases (4½-6 per cent) for unskilled nursing auxiliaries, etc and for the most senior nurses (5 per cent), but much larger increases for the middle ranks of qualified and experienced people (9-14 per cent for staff nurses and nursing sisters, and 12-16½ per cent for members of the PAMs).

8. The difficulties here are two-fold; the impact on NHS finances, and the possible repercussions on other public sector pay negotiations. So far as NHS finances are concerned, the excess over the assumed 4½ per cent provision is put at about £180 million, which could not be absorbed without significant impact on the level of services. There is the added difficulty that the recommendations represent in effect a re-evaluation of the appropriate pay levels for trained and experienced nurses and members of the PAMs, as well as a substantial pay restructuring for nurses. If the Government were to accept these recommendations, the difficulty of holding teachers' pay in the 4-5 per cent range could well be greater. There could also be some impact on the NHS non-Review Body groups; but the facts that much lower increases are proposed for unskilled people by the NRB, and that the civil service seems likely to settle at 4.9 per cent, should reduce the repercussions in this area.

The Options

9. If Ministers decide not to accept all the recommendations in full, they have three options for reducing their cost and impact:



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(a) abate the awards, and impose lower increases (e.g. 4.9 per cent all round, in line with the civil service). This would be the best outcome from the public expenditure/counter-inflation standpoint; but there would be serious political difficulties, and the problem would be exacerbated next year by the resulting 'backlog' if the Review Bodies continued in operation;

(b) stage the awards, so that they do not come into full payment until later in the financial year, as was done last year for the AFPRB, DDRB and TSRB groups. Payment of 3 per cent on 1 April and the remainder on 1 November would reduce the cost of the increases for the armed forces and the doctors during the current year to 5 per cent or less. (In the case of the nurses and PAMs taken together, the comparable figure would be 5½-6 per cent.) This reduces the squeeze on service levels, etc during 1985-86, but the squeeze would be felt in full in 1986-87;

(c) extend the period of the settlement (i.e. the next review would not take effect until 1 July 1986). This could be represented as reducing the size of the increases at an annual rate, and might also marginally reduce aggregate expenditure in 1986-87; but it would not help this year's cash problems, and most of the advantage next year would be extinguished if the Review Bodies recommended larger increases in recognition of the longer period.

Timing and tactics

10. The Treasury's assessment is that the civil service will acquiesce in 4.9 per cent, before most of the unions hold their annual conferences during the next fortnight. It would seem sensible to delay publication of the Review Body reports until the civil service settlement is complete and these conferences over (and also the NUPE conference, of importance to the NHS non-Review Body groups). On this basis the reports might be



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published, and the Government's decisions announced, on Thursday 23 May, following Cabinet approval that morning. The longer an announcement is delayed thereafter, the greater the pressure Ministers will face, and the greater the risk of leaks. However, last year's experience suggests that the announcement could probably be delayed if necessary until the Thursday after the Whitsun Recess (6 June). Tactics are likely to depend on developments in relation to teachers.

Further Ministerial discussion

11. You will wish to consider, in the light of the views expressed at the meeting, how Ministerial discussion of the reports should be carried forward. Decisions on the reports are a matter ultimately for Cabinet. The Secretary of the Cabinet will stand ready to arrange the preparation of a paper reviewing the options for possible consideration at a further early meeting of the same group of Ministers. Thereafter he would prepare a paper for Cabinet reflecting the recommendations emerging from that meeting. You will also wish to consider whether and how the teachers/NRB interface should be taken into account in further discussions.

HANDLING

12. You will probably wish to invite comment first from the Secretaries of State for Social Services and Defence on the reports affecting the groups for which they are responsible. The Chancellor of the Exchequer will then wish to comment generally on the impact of the reports on the Government's economic policies, and the Secretary of State for Employment may wish to comment from the standpoint of wider developments on pay settlements and earnings.

CONCLUSIONS

15. You will wish:



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i. to establish how far there is a common view about the substance of the recommendations in each of the four reports, i.e.

- armed forces;
- doctors and dentists;
- nurses;
- professions allied to medicine;

ii. to consider the timing of publication of the reports, and announcement of the Government's decisions;

iii. to settle the arrangements for further Ministerial discussion.

PL

P L GREGSON

Cabinet Office

7 May 1985



SECRET

To be handed round
and collected in
at meeting

Pay Review Body Reports 1985

Decisions are required on the following pay review body reports:

- i. Armed Forces Pay Review Body (AFPRB);
- ii. Review Body for Nursing Staff, Midwives, Health Visitors and professions allied to medicine (NRB):
 - a. on nursing staff, midwives and health visitors;
 - b. on professions allied to medicine;
- iii. Doctors and Dentists Review Body (DDRB).

Their recommendations in all cases take effect from 1 April 1984. Because the Top Salaries Review Body (TSRB) on higher civil service, senior service officers, and the judiciary is undertaking a special review of the case for pay differentials reflecting differences in the responsibilities carried by different posts, that Report is not expected until June.

Policy and recent practice in relation to review body reports

2. There is a long-standing commitment (re-affirmed when the Nurses Review Body was set up in July 1983) that the Government will implement the recommendations of Review Bodies 'unless there are clear and compelling reasons for not doing so'. The AFPRB's recommendations have never been rejected by the Government although their implementation was staged in 1978 and 1984. The DDRB's recommendations were abated in 1981 and 1982 but in 1983 the abatement was restored with effect from 1 January 1984; last year their recommendations were accepted but staged as in the case of the AFPRB (with payment in full only from 1 November).



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AFPRB recommendations for 1985.

3. The AFPRB estimate that the net cost of their recommendations will add 7.06 per cent (£190.6 million) to the estimated pay bill for the regular forces for 1985-86. The number affected is 330,000. A further £14.6 million increases are proposed for reservists, making an overall increase of 7.3 per cent in the armed forces pay bill.

4. The increases for selected ranks are:

	£	£	%
	<u>Now being paid</u>	<u>proposed</u>	<u>percentage increase</u>
Brigadier and equivalent	27,101	29,401	8.5
Captain(Army) and equivalent	11,330-13,160	12,217-14,188	7.7
Sergeant and equivalent	8,472-10,184	9,088-10,939	7.3-7.5
Private and equivalent	4,807- 7,490	5,000- 8,026	4.0-7.2

NRB recommendations for nursing staff, midwives and health visitors.

5. The NRB estimate that the cost of their recommendations will add 8.6 per cent (£282 million) to the estimated 1985-86 pay bill for nursing staff etc. The number affected is some 483,000 in 'whole-time equivalent' terms.

6. The increases for selected grades are:

	£	£	%
	<u>Now being paid</u>	<u>proposed</u>	<u>percentage increase</u>
Regional Nursing Officer(R1)	20,491-26,235	21,520-27,550	5.0
District Nursing Officer (England) (DHA1(T))	19,002-24,882	19,955-26,135	5.0
Senior Nurse 4	10,423-12,147	11,650-13,370	11.8-10.1
Nursing Sister II	6,827- 8,751	7,480-10,000	9.6-14.3
Staff Nurse (SRN)	5,398- 6,582	6,000- 7,175	11.2- 9.0
Enrolled Nurse	4,861- 5,864	5,270- 6,500	8.4-10.8
Nursing Auxiliary/Assistant (aged 18 or over)	3,777- 4,828	3,950- 5,120	4.6- 6.0



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NRB recommendations for professions allied to medicine 1985

7. The NRB estimate that the cost of their recommendations will add 12.1 per cent (£31.8 million) to the estimated 1985-86 pay bill for professions allied to medicine (physiotherapists, radiographers, chiropodists, dietitians etc). The number affected is 34,980 in 'whole-time equivalent' terms.

8. The increases for selected grades are:

	£		%
	<u>Now being paid</u>	<u>proposed</u>	<u>percentage increase</u>
District Senior Chief	12,100-13,566	13,485-14,880	11.4- 9.7
Senior I	7,727- 8,747	8,910-10,200	15.3-16.6
Basic grade	5,796- 6,560	6,505- 7,450	12.2-13.6

DDRB recommendations for 1985.

9. The DDRB estimate that their recommendations will add 6.3 per cent (£122 million) to the annual pay bill for doctors and dentists. The number affected is 111,600.

10. The increases for selected grades are:

	£		%
	<u>Now being paid</u>	<u>proposed</u>	<u>percentage increase</u>
Consultant	20,200-26,080	21,460-27,700	6.2
General medical practitioner (intended average net remuneration)	22,070	23,440	6.2
General dental practitioner (target average net income)	19,100	20,280	6.2
Registrar	10,130-12,270	10,760-13,030	6.2

MR TURNBULL

NIDPM AT 3/1
3 May 1985

REVIEW BODY REPORTS

Nurses

Whatever figure is proposed for nurses, it will be very difficult to avoid paying, even following last year's 7.5% increase. However, this year it has been agreed (and emphasised repeatedly to the unions) that DHSS resources will not be expanded beyond the 5.5% cash limit to accommodate higher than planned pay rises. It is essential for negotiating credibility (including that with the pay review bodies) that no overt increase is made to the cash limit.

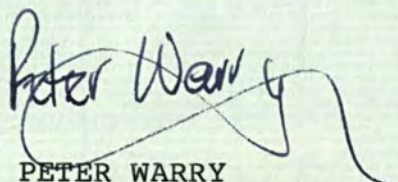
If the proposed increase is less than 6%, it would be good news for this year's pay round and an early announcement would be preferable. If the increase is more than 6.5% it can only damage other pay negotiations and delay should be the order of the day.

Doctors and Dentists

Last year's award of 6.9% was implemented in two stages. It would be difficult to justify another increase in excess of 6% for this group. Could any such increase again be staged but with the second stage linked to the changes to be proposed in the FPS Green Paper?

Armed Forces

Last year's increases ranging from 6.5% to 8.8% were implemented in two stages. Despite efforts to prevent it this year's Government evidence to the Armed Forces Pay Review Body was again slanted towards securing a large pay rise. It would therefore not be surprising if this is the result. The evidence suggesting potential recruitment and retention problems does not stand up to detailed examination and there would be a strong case for rejecting any award in excess of 6%.


PETER WARRY

ROYAL
COLLEGE OF
NURSING



A TELLING POINT

NEIL KINNOCK'S APPEARANCE AT THE 1985 RCN CONGRESS was awaited by those present with a mixture of curiosity and expectation. Undoubtedly, it was a 'first' for the RCN, no leader of the Opposition had ever addressed the gathering before and it meshed neatly with the College's gathering initiative in becoming not only more politically aware but also astute.

The question was would Mr Kinnock deliver the goods. Speaking in Opposition is after all a relatively straight forward affair, promises can be made to be forgotten at a convenient later date.

But Mr Kinnock did deliver, true he made promises, the honour of which remains to be seen at the appropriate time, but they were not wholly unrealistic. More important was his obvious commitment and sincerity as he gave his views on the health service and the staff who work within it.

Challenged by Sony Bhanji a representative from Rugby, Mr Kinnock made no pledge of immediate action if he became Prime Minister — 'nobody would believe it' he said simply. But he would 'seek with all the representatives of the nursing profession' to negotiate an agreed 'system of negotiation by phases, over a realistic period of time'.

That was well timed. The dissatisfaction with the

Government's recent behaviour over the 1985 pay award was already apparent at the opening of the Congress week and it bubbled to the surface in no uncertain terms the following day when the Representative Body agreed to write to the Prime Minister to vent its anger about the attempts by ministers to pre-judge the review body findings.

Mr Kinnock was well briefed, he was obviously aware of the situation, of the frustration and fear within the nursing profession that the long fought for review system was in danger of losing its independence. But he made no rash statements. He contented himself and in large part the Congress, with showing he understood.

In delivering his address he showed that nursing was no longer a body to be ignored or talked down to; remember Gerard Vaughan and his reception in Harrogate all those years ago. 'Nurses would not give anyone a thank you for patronising sentimentality about the profession'. Applause.

'Nurses would respond with vigour to being treated as highly qualified, technically competent and compassionately motivated experts in treatment'. Applause.

'All of those combined accomplishments and values not only justified a level of pay which acknowledged and rewarded those qualities but also justified the proper provision of facilities and support from associated services and the community at large'. Applause.

Nurses are seen as a major political force

But behind the man's talent for public speaking and behind the obviously detailed briefing session from his advisers was a far more telling point. Nurses are seen as a major political force. They deserve the time, trouble and understanding of the Opposition party because their numerical and professional clout is of high political currency. And Mr Kinnock admitted it, 'that is why we will listen hard to what you say and be responsive to your advice for we know that it comes from the point of provision and it comes for the specific purpose of gaining improvement in Britain's health services.'

This was far more than jolly along a group anxious

about pay and conditions, this was saying yes we know the source that you are and can be. In acknowledging nursing's role and part in the politics of health, Mr Kinnock was engendering the theme of the week 'out of your shell'. The message that nurses have been shouting for years that they need to be taken note of and ignored at cost was being received loud and clear.

An ingredient in efforts to improve health services

'Authoritative guidance from you is of course of immediate utility in the efforts to defend the health service. But it has a longer term value too of at least equal importance for it must be an ingredient in efforts to improve and modernise the health services.

'My invitation therefore to the nursing profession to tell us what you feel, why you feel it, what should be done and how bet it can be done is not restricted to the years of Opposition or simply to strategies to defend the NHS. It's a standing invitation which will continue into government and which must extend to policies to change the NHS for the better.'

The timing of this empathic episode between the Opposition and the nursing profession throws up some intriguing questions.

Foremost is how will the Government react? Does Mrs Thatcher choose to ignore this admission by the opposition of nurses political credence and then run the risk of alienating such a large and traditionally conservative, sector of the public work force. Or does she now play the tactical game, Remember the review report is still on her desk. Upholding its findings, being seen to do the honourable thing would restore faith in the review body's credibility, the body her Government set up, and go a long way to neutralise politically the beguiling arguments of Mr Kinnock. Such are the politics of health. In this type of warfare justice and right become forgotten. Cynically then if the review body findings are upheld and nurses are appeased by such action it could well be said it comes down not to their inarguable case but because politically there is no other way.

That is the name of the game unfortunately, but fortunately, nurses are now aware of the rules.



10 DOWNING STREET

Press Notice

GOVERNMENT DECISIONS ON PAY OF ARMED FORCES, DOCTORS AND
DENTISTS; AND NURSES AND PROFESSIONS ALLIED TO MEDICINE

The Government today published its decisions on Reports from the Armed Forces Pay Review Body, the Doctors' and Dentists' Pay Review Body, and the Pay Review Body for Nurses and for Professions Allied to Medicine.

The decisions are contained in a Written Answer given by the Prime Minister today. A copy of the Written Answer is attached.

6 June 1985

Notes for Editors

Detailed inquiries about Armed Forces pay should be addressed to Press Office, Ministry of Defence, (218-7924/31); and about the pay of Doctors, Dentists, Nurses and Professions Allied to Medicine to Press Office, Department of Health and Social Security (407-5522).

General questions about pay and public expenditure should be addressed to HM Treasury (233-3415).

Background Notes on the Review Bodies are attached. The Report from the Top Salaries Review Body is expected to be delivered later this month. Government decisions on the Report will be announced in due course.

Telephone 01-930 4433

Q: To ask the Prime Minister, if she will make a statement on the reports of the Pay Review Bodies.

A: The 1985 reports of the Armed Forces Pay Review Body, the Doctors' and Dentists' Review Body and the Review Body for Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicine have been published today. Copies are now available in the Vote Office. The Government are grateful to the members of the review bodies for these reports and for the time and care which they have put into their preparation. The report of the Top Salaries Review Body has not yet been submitted to the Government.

The report of the Armed Forces Pay Review Body recommends increases which would add 7.3 per cent to the Armed Forces' 1985/86 pay bill. These recommendations will be implemented in full from 1 April 1985. The additional costs in excess of the 3 per cent allowance in the defence budget for increases in pay and prices will be offset by economies or reductions elsewhere in the defence programme.

The report of the Doctors' and Dentists' Review Body recommends increases which would in 1985/86 add 6.4 per cent (including increases in distinction awards to consultants) to the pay bill for hospitals and community health services and 6.2 per cent to the pay bill for the non-cash-limited Family Practitioner Services. The recommendations will be implemented with effect from 1 June 1985. The additional costs to the pay bill of the cash-limited services in 1985/86 will be 5.4 per cent; and for the Family Practitioner Services 5.2 per cent.

The reports of the Review Body for Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicine incorporate the results of the reviews of the salary scales of these professions on which this Body has been working since its establishment in 1983. These reports accordingly recommend a range of salary increases for different grades which would add 9.0 per cent to the 1985/86 pay bill for these groups. The increases in basic pay recommended for qualified nurses and midwives in the main clinical grades range from 8.4 per cent to 14.3 per cent; and for analogous grades in the Professions Allied to Medicine from 7.6 per cent to 16.6 per cent. There are lower increases recommended for trainees, unqualified staff and administrative grades. The recommendations will be implemented in two stages. All members of these groups will receive an increase of 5 per cent (or the whole amount of the award where this is less) from 1 April 1985,

with the balance of the recommended increases, which embody the Review Body's proposals for salary restructuring, on 1 February 1986. By that date the salary scales recommended by the Review Body will be in full operation. The additional costs to the pay bill of the cash-limited services in 1985/86 will be 5.6 per cent.

The cost of these awards in 1985/86 for the health authorities will be met within existing cash limits.

Pensions will be based on the salaries actually in payment in accordance with the principle set out in my Written Answer on 13 April 1984 at column 383.

The pay rates and scales resulting from the decisions will be promulgated as soon as possible. The Government will be considering separately certain recommendations on points of detail.

BACKGROUND

Review Body on Armed Forces' Pay was appointed in September 1971 to advise the Prime Minister on the pay and allowances of members of the Naval, Military and Air Forces of the Crown, and of any women's service administered by the Defence Council.

Chairman: Sir David Orr, MC.

Review Body on Doctors' and Dentists' Remuneration was appointed in July 1971 to advise the Prime Minister on the remuneration of doctors and dentists taking any part in the National Health Service.

Chairman: Sir Robert Clark, DSC.

Review Body for Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicine was established in July 1983 to advise the Prime Minister, on the remuneration, with effect from 1 April 1984, of:

- (i) Nursing staff, midwives, health visitors employed in the National Health Service; and
- (ii) physiotherapists, radiographers, remedial gymnasts, occupational therapists, orthoptists, chiropodists, dieticians, and related grades employed in the National Health Service.

Chairman: Sir John Hedley Greenborough, KBE, LLD.

The Secretariats for the four review bodies are supplied by the Office of Manpower Economics.

cc* Mr Kemp
Mr Corcoran
PS/Sir Robert Armstrong



Treasury Chambers, Parliament Street, SW1P 3AG

Sir Edward du Cann KBE
Chairman
Public Accounts Commission
Committee Office
House of Commons
London
SW1 OAA

25 April 1985

John Edward

Many thanks for your letter of 4 April. I am glad the Commissioners have endorsed your request to refer the matter of the salary of the Comptroller and Auditor General to the TSRB.

The TSRB have therefore been formally asked to advise the Government on the salary of the C & AG.

I believe it will be possible for them to provide a report which will be separate from their main report on the senior grades in the Civil Service. However, on timing, I do not think it would be possible for the TSRB to report on the C & AG in advance of their main report and, as I have said to you before, the Government will wish to look at the position of the C & AG in the light of its decisions on the main TSRB recommendations. That said, I believe it would be right to provide the Commission with the TSRB's advice on the salary of the C & AG before the Government reaches any decision on it.

Peter Rees

PETER REES

SECRET

FILE: C 8 JA



be Mr. Cresson

10 DOWNING STREET

From the Private Secretary

23 April 1985

I enclose copies of the Review Body Reports on Armed Forces, Nurses and Midwives, and Professions Allied to Medicine. The Report on Doctors and Dentists will follow next week. These should be handled under secure conditions. I would be grateful if you could set these Reports up in type. The Office of Manpower Economics will undertake the proof reading. Could you contact Chris Wright to make the arrangements.

I cannot predict exactly when the Reports will be published. Theoretically this could be as early as 16 May but it is more likely to be Thursday 23 May or, as last year, the first Thursday after the Whitsun Recess, i.e. 6 June. I will give you further guidance as soon as I can.

(Andrew Turnbull)

R. Gear, Esq.,
HMSO Press.

SECRET

B
7

PRIME MINISTER

Review Body Reports

We have now received the reports on Nurses, Professions Allied to Medicine, and the Armed Forces. That on Doctors and Dentists is due next week - the Chairman of the Review Body, Sir Robert Clark, is abroad. We have acknowledged publicly, through a PQ in the case of the Nurses, that the Government has received the reports and that they will be dealt with in the normal way. This should be interpreted as meaning that Ministers will consider the reports and, following Cabinet discussion, you will announce the Government's decisions, a process which is likely to take a number of weeks. The TSRB report is not due until early June.

The Findings

The background to the AFPRB report is on pages 1-4 and the recommendations on pages 31-32. The total addition to the pay bill is 7.06%.

The background to the report on Nurses is on page 1-5 and the recommendations on pages 25-31. The average addition to the pay bill is 8.6%.

The background to the report on PAMs is on pages 1-5 and the recommendations on pages 23-25. The recommended addition to the pay bill is 12.1%.

All the reports display greater variability between grades than last year.

Administrative Arrangements

So far only Peter Gregson has a copy of the reports. We suggest the following sequence:-

- i) When you have seen the reports, one copy should be

sent to the sponsor Minister and one to the Chancellor with instructions that they should be retained in Private Offices and shown only to the Permanent Secretary, plus Mr. Kemp in the case of the Treasury.

- ii) A meeting of Ministers has been arranged for 9 May. In theory it is possible that the first three reports could go to Cabinet on 16 May, with announcement immediately thereafter. More plausible is Cabinet on 23 May permitting announcement just before the Whitsun Recess, or as last year, immediately after the Recess i.e. 7 June.

As last year I have arranged for the reports to be printed in the FCO press under secure conditions. I propose to send a copy of each report to them at the same time as they are circulated to Ministers to be set up but not run off until further instructions are given.

Agree these arrangements?

TSRB

The TSRB is running 5 or 6 weeks behind the rest for two reasons:-

- i) Approximately every 3 years the TSRB looks not just at the appropriate increases in salaries but at salary levels. This is a more time consuming process. It was last done in 1981-82.
- ii) At the Government's request the TSRB is investigating whether there should be differentiation of the pay of Permanent Secretaries based on job weight.

There is no reason to conceal that the TSRB report is running behind the rest. In answer to questions we could say

D.R.

it is expected around the start of June. If asked why it is delayed I think it would be better to emphasise the job weighting of Permanent Secretaries rather than the more fundamental review, though this was trailed in last year's report. To emphasise the more fundamental review might create a presumption that the Government would find it more difficult to reject or amend the findings. Finally, we could be asked whether late arrival of the TSRB report will delay Ministerial consideration of the other reports. In practise the link between the TSRB groups and the others is not all that strong and in 1983 the others were settled before the election and the TSRB groups after. The PQ today stated that the report on Nurses will be looked at "in the normal way" implying no special delay.

Agree that if asked we say that there is no reason to expect consideration of the other reports to be especially delayed by the late arrival of the TSRB report?

Yes mt. AT

22 April 1985

1984 TIMETABLE FOR REVIEW BODY REPORTS

First week of April

Nurses and others received

Third week of April

Armed Forces)
Doctors and Dentists) all
Top Salaries (19th)) received

All reports shown to Prime Minister on 19th April.

24 April - reports circulated as follows with Prime Minister's approval:

Nurses	Ch/Ex and SoS DHSS (if not sent already)
D & D	Ch/Ex SoS DHSS
TSRB	Ch/Ex Ld Chancellor SoS MOD
Armed Forces	Ch/Ex SoS MOD

Copies of all reports sent to P. Gregson about this time (AT's note does not specify a date).

Reports are also sent to Policy Unit in time for them to prepare brief for ministerial meeting.

3 May Ministerial meeting to discuss reports.
(Lord President of the Council, Ld Chancellor, Ch/Ex, SoS MOD, SoS DHSS, SoS Emp, Lord Gowrie, Robert Armstrong, P Gregson).

Subsequent meetings.

4 June AT writes to HMSO to confirm phone call telling them likely date of publication and distribution.

5 June PQ put down in evening.

7 June Cabinet decision.
Around 11.00/11.30 when decision has been taken, AT rings HMSO to authorise distribution under embargo to Vote Office, Printed Paper Office, No.10 Press office.

Other copies for Departments sent to No.10 for forwarding.

Embargoed copies to HMSO bookshops.

Copies immediately to Office of Manpower Economics.

Between Cabinet decision and announcement RTA informs Lord Plowden of recommendation, MOD and DHSS tell their chairmen.

Approx. 15.30 hrs Command Papers are laid;
PQ answered;
Reports released.

B, R.

After: AT writes to thank HMSO Press.

PM writes to thank Review Body chairmen, [redacted] (drafts from the Departments.)



10 DOWNING STREET

Andrew

TSRB Reports

I have spoken to
Charlotte about when
they were sent to
HM SO last year - she
recollects it was around
the weekend of 26/27
May ie 2 weeks to
10 days before
publication.

Nicky 18/4.

289

File



10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

TOP SALARIES REVIEW BODY

Thank you for your minute of 29 March (A085/983), of which the Prime Minister has noted the contents.

B. R. BUTLER

1 April 1985

PERSONAL AND CONFIDENTIAL

3M



Prime Minister

Ref. A085/983

MR BUTLER

Top Salaries Review Body

Para. 2 is wholly
good in my view.
Content with the way this
is going?

FERB

29.3.

As you know, the report of the Top Salaries Review Body is unlikely to be ready before the end of May.

2. Lord Plowden told me that the Review Body was unlikely to find in favour of job weighting for Permanent Secretaries. He was, however, most impressed with the need to introduce a greater degree of flexibility in the open structure and was looking at ideas for range pay, with some form of increments based on job weighting and individual performance. He was conscious of the need to limit the cost of any such scheme and had various ideas for its gradual implementation over a period of years.

3. Lord Plowden said that, when the Prime Minister came to have dinner with him and his group on 23 April, he would probably be suggesting to her that before the TSRB report was submitted he would like to come and see her privately, to explain to her some of the background to the report and some of the results of their inquiries which he has found very disturbing. He would wish this to be a private meeting, without other Ministers present, though he said that he thought it would be a good thing if I were present, so as to hear (as official Head of the Civil Service) what he had to say to the Prime Minister.

4. No decision is required on this at present and no date needs to be fixed; but the Prime Minister will wish to know what is in the offing.

ROBERT ARMSTRONG

29 March 1985

CONFIDENTIAL

1. Ms Roche
2. CF to BIF
29/3

NOTE FOR THE RECORD

Spoke to Mr Gregson
- on 1 April + said AT
would be in contact in
a fortnight or so.
NR114

REVIEW BODIES

I spoke to Mr. Frank Gregson, HMSO (219 4271) and Mr. Ron Gair, Foreign Office Press (233 3109) about the printing arrangements for the Review Body Reports. I told them we were extremely satisfied with last year's arrangements which had combined security with economy in printing. I hoped to be able to repeat the arrangements this year though it was likely that one of the reports (TSRB) could run behind the others,

Mr. Gair said the FCO Press was moving to Nine Elms. He hoped to use June and July for training for the new facilities. It would be helpful to him, therefore, if the printing of the Reports could be authorised rather earlier than last year.

We agreed to discuss this further when the timetable for the reports was clearer. I agreed to contact him at the end of March.

AT

8 February 1985**CONFIDENTIAL**

FROM THE PRIVATE SECRETARY



HOUSE OF LORDS,
SW1A 0PW

19th December, 1984

CONFIDENTIAL

Robin Butler Esq.,
10 Downing Street,
London,
SW1.

*nbpm
DMS
19/12*

Dear Robin,

Top Salaries Review Body

The Lord Chancellor is content to acquiesce in the short delay in the TSRB report referred to in Sir Robert Armstrong's minute of 4th December 1984.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Defence and Sir Robert Armstrong.

*Yours sincerely,
Richard*

Richard Stoate

Civil Service Pt 14

House of Lords
2/11/04

Pay + Pensions



RECEIVED
19 DEC 1984

19 DEC 1984

COMMISSIONER

File [initials]

slz abc

CS Pay Extensions



10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

TOP SALARIES REVIEW BODY

The Prime Minister has seen your minute of 4 December (A084/3236), together with the Chancellor of the Exchequer's comments recorded in Mr Peretz's letter of 10 December.

The Prime Minister is content that you should confirm to Lord Plowden that the timetable which the TSRB have in mind for the submission of their 1985 Report is acceptable.

I am copying this minute to Richard Stoate (Lord Chancellor's Office), David Peretz (H M Treasury) and Richard Mottram (Ministry of Defence).

E. E. R. BUTLER

12 December 1984

Bot

CONFIDENTIAL



CCNO

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

10 December 1984

Robin Butler Esq
10 Downing Street
LONDON SW1

Dear Robin

TOP SALARIES REVIEW BODY

The Chancellor has seen Sir Robert Armstrong's minute to you of 4 December.

He agrees with Sir Robert Armstrong's recommendation. He notes that there might be a small awkwardness if decisions had to be taken and announced on AFPRB recommendations in respect of Brigadiers and equivalent grades before we knew the TSRB recommendations for Major Generals and equivalent grades. But he certainly does not think it outweighs the advantages of the TSRB coming in late.

I am sending copies of this letter to Richard Stoate (Lord Chancellor's Office), Richard Mottram (MOD) and Richard Hatfield (Cabinet Office).

*Yours ever
David*

D L C PERETZ
Principal Private Secretary

Civil Service Pt 14
Pay

11 DEC 1944

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UNITED STATES GOVERNMENT

COMPTROLLER



Prime Minister

Ref. A084/3236

MR BUTLER

The Chancellor would
be happy to see the Top Salaries
Report coming in late - his comments
are attached.

Agree Sir Robert Armstrong's line?

Top Salaries Review Body

FERB

11.92.

Lord Plowden has now written to acknowledge receipt of the reference to the Top Salaries Review Body on job-weighted differentials for Permanent Secretaries. He has confirmed that the TSRB will examine the issues raised as part of their current review.

2. Lord Plowden has also given advance notice that, with this remit in addition to the other matters under review, it will not be feasible for the TSRB to complete this report by 1 April 1985. It expects to be in a position to submit this report by the end of May 1985, but it is conceivable that it might even have to go somewhat beyond that date. Lord Plowden has asked for confirmation that this timetable will be acceptable to the Prime Minister.

3. In each of the last two years it has been if anything something of an embarrassment that the report of the TSRB was available at or around 1 April, when other pay claims (including the Civil Service pay claim) were at a particularly sensitive point. It therefore seems to me that the Government need not object if the TSRB report next spring is delayed to the end of May or sometime in June. It could even be that the delay might not be inconvenient.

4. If the Prime Minister agrees, therefore, I will confirm to Lord Plowden that the timetable which the TSRB now has in mind will be acceptable.

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

R

Approved by
ROBERT ARMSTRONG
and signed in his absence

4 December 1984



JWRALG

10 DOWNING STREET

From the Principal Private Secretary

9 November 1984

JOB WEIGHTING FOR PERMANENT SECRETARIES

The Prime Minister has seen your letter of 5 November and was grateful for the Chancellor's comments recorded in it.

The Prime Minister has thought further about this matter and happened to see Lord Plowden two evenings ago, when the subject was mentioned. Lord Plowden was enthusiastic about looking at this question, and the Prime Minister formed the impression that the TSRB may do so anyway.

After further consideration, the Prime Minister has concluded that she should give the TSRB a formal remit on this matter and has authorised Sir Robert Armstrong to submit the note attached to his minute of 1 November.

I am copying this letter to Paul Thomas (Chancellor of the Duchy of Lancaster's Office) and Richard Hatfield (Cabinet Office).

(F.E.R. BUTLER)

UET

David Peretz, Esq.,
HM Treasury.

PERSONAL AND CONFIDENTIAL

PRIME MINISTER

Meeting with Sir Robert Armstrong: 0930 on
Friday, 9 November

There are four items on the agenda:-

- (i) Business
- (ii) Job ~~wait~~ing for Permanent Secretaries.
The Chancellor is still opposed to pursuing this, and the other Ministers who have commented - Mr. Jenkin, Mr. Hurd and Sir Geoffrey Howe - all share his view. How do we resolve this? All Cabinet Ministers are involved: should we put it on a Cabinet agenda?
- (iii) Procedure for finding a successor to Sir John Boreham as Director of the Central Statistical Office.
- (iv) Attribution in Cabinet minutes and the conventions of collective responsibility.

F.R.B.

8 November, 1984.



He R

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

JOB WEIGHTING FOR PERMANENT SECRETARIES

You will have seen the letter of 5 November to me from the Office of the Chancellor of the Exchequer. I should be very grateful for your advice on how the Prime Minister might resolve this issue.

The Chancellor of the Exchequer is opposed to pursuing this matter. The Secretary of State for Northern Ireland (in his Private Secretary's letter of 27 September) and the Secretary of State for the Environment (in his Private Secretary's letter of 25 September) took a similar view. The Foreign and Commonwealth Secretary was not seeking any change as far as the Diplomatic Service was concerned (his minute of 4 October). So far as I am aware, no other Ministers have expressed a view except for the Prime Minister and the Chancellor of the Duchy of Lancaster.

Would the most convenient way of resolving this be to suggest to the Prime Minister that it should be referred to the Cabinet?

FRB

7 November 1984

PERSONAL AND CONFIDENTIAL



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

Robin Butler Esq
No.10 Downing Street
London SW1

5 November 1984

Dear Robin

JOB WEIGHTING FOR PERMANENT SECRETARIES

The Chancellor has seen the minute of 1 November to the Prime Minister from the Secretary to the Cabinet.

As you know, what the Chancellor had originally suggested - as was recorded in your letter of 4 October to Paul Thomas - was that Sir Robert Armstrong should be asked to produce something in the nature of a cockshy. His idea was not that we should seek to bypass the TSRB, but more that it would be helpful to try to illustrate the kind of difficulties the TSRB were likely to find themselves in, and the problems their report could create, before committing the Government to consulting them.

Sir Robert Armstrong is not prepared to make a recommendation. The Chancellor sees both this, and the reasons he gives, as of some significance. In the Chancellor's view this is a poisoned chalice, and he well understands why Sir Robert Armstrong is reluctant to hand it to the Prime Minister.

But he still wonders why we should get into a position where she is handed it at all. Even if the Prime Minister were to agree 100 per cent with the TSRB's recommendations, their implementations would antagonise those colleagues whose Departments were relegated to the Second Division. And if, as is quite likely, the TSRB were to come up with recommendations that the Prime Minister considered to be in some respects wrong, the situation would be even harder to handle.

If, in the end, the Prime Minister decides to accept Sir Robert Armstrong's advice, the Chancellor would not want to press these points any further. The direct Treasury interest is not great. But he is concerned that the Prime Minister should have a clear appreciation of the risks before deciding to proceed.



Finally, to avoid any misunderstanding, perhaps I could also record Sir Peter Middleton's views which are referred to in paragraph 9 of Sir Robert Armstrong's minute. Sir Peter is firmly against making a reference to the TSRB, and has made this clear to Sir Robert. But he does accept that if it is decided, nevertheless, that the matter should be referred to the TSRB, then the draft attached to Sir Robert Armstrong's minute might be the sort of note to send to them.

I am copying this letter to Paul Thomas (Chancellor of the Duchy of Lancaster's Office) and to Richard Hatfield (Cabinet Office).

Yours ever
David

D L C PERETZ

CS : Pay and Pensions : Pt 14





Ref. A084/2823

PRIME MINISTER

Mr Butler's minute of 4 October records you as agreeing that, before you decide whether to refer the question of differential job weighted pay rates for Permanent Secretaries to the Top Salaries Review Body, I should be asked whether I feel able to recommend any changes in the present categorisation of Permanent Secretary posts for pay purposes without reference to the TSRB.

2. I have to say that I should very much prefer not to have to make recommendations to Ministers without reference to the TSRB, either as to whether there should be changes in the categorisation or, if so, as to what these changes should be.
3. On the first question - whether there should be changes - I should be readier to make a recommendation if I detected anything approaching a consensus on the subject among my fellow Permanent Secretaries. But I do not. Opinion is fairly evenly divided. It is interesting to note that those who are against change include the majority of those who would almost certainly be in the higher category. I think that some of them may be reluctant to declare support for a proposal which would give them more money than some of their colleagues; but there is also a genuine reluctance to break with the traditional "parity of esteem" - at any rate for salary purposes - among Permanent Secretaries.
4. I am myself among those who favour some categorisation, though I do not think that it should be very complicated. Other countries with similar systems do have a degree of categorisation among Permanent Secretaries, and it seems to work well enough. I find it difficult to resist the argument that the job of being, say, Permanent Secretary to the Ministry of Defence is in



every way weightier than the job of being, say, Permanent Secretary to the Welsh Office, and that this difference should logically be reflected in a remuneration differential. I do not think that the arguments of cohesiveness and collegiality on which the defenders of "no change" rely carry sufficient weight to affect this consideration. You may think that I ought to have the courage of my convictions and formally recommend accordingly; but in the circumstances I should find it invidious to have to do so. I think that it would actually be useful to put the proposition to the test of independent external assessment; the resulting conclusion will carry greater authority as well as independence than if it comes from me alone. The TSRB is better equipped than any other external source of advice to arrive at an informed judgment on the matter.

5. I should be even more reluctant to proffer single-handed recommendations on what the categorisation should be. Again, I have views both as to how many categories there should be and as to which Permanent Secretary posts should be in each category. But those views would not necessarily commend themselves to others, and particularly to those Permanent Secretaries who would think that I had categorised them below their deserts: if I said that Sir Arnold Robinson in Department X should be in Category A but Sir Humphrey Appleby in Department Y should be in Category B, my relations with Sir Humphrey would be likely to be damaged.

6. I have also to bear in mind that in certain circumstances my own and Sir Peter Middleton's rates of pay could be indirectly affected, if greater categorisation were introduced as a result of recommendations made by me and the TSRB then made salary recommendations which opened out the concertina of rates at these levels. I should prefer not to be in that position.



7. In short, I should prefer not to be asked to give you formal advice on this, and I hope that you will agree to refer to the TSRB:

1. whether there should be job-weighted categorisation of Grade 1 Permanent Secretaries in charge of Departments;
2. if so, what categories there should be and which Permanent Secretaries should be in which category;
3. what the salary rates should be.

8. I understand that the TSRB would be prepared to take delivery of such a reference and deal with it in the course of the 1985 review on which they are now embarking and on which they will report about next April.

--- 9. In the hope that it may be helpful, I attach a draft of the note which I have in mind to send to the TSRB, if you agree that they should receive the reference, setting out facts, considerations and option without seeking to make recommendations or suggest conclusions. In preparing the draft I have consulted Sir Peter Middleton, who is content with it.

10. I am sending copies of this minute to the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster.

RA

ROBERT ARMSTRONG

1 November 1984

DRAFT OF 1 NOVEMBER 1984

JOB WEIGHTING FOR PERMANENT SECRETARIES

Note by the Secretary of the Cabinet and
Head of the Civil Service

The Committee of Inquiry into Civil Service Pay under Mr Justice Megaw, reporting its conclusions on merit pay in the Civil Service, said that they did not believe it possible to devise a satisfactory merit pay scheme at the levels of Permanent Secretary and Deputy Secretary. They did, however, believe that a change should be made to introduce differences in the rewards of the Deputy Secretaries and Permanent Secretaries according to the weights of jobs.

2. The Government agrees that there is a case for considering whether there should be job-weighted pay distinctions in respect of Permanent Secretaries in charge of Departments, given the manifest disparities in the weight of responsibilities covered by the posts concerned. There are, however, arguments against job-weighted pay distinctions at this level. The Government has reached no conclusion on the subject, and would welcome the advice of the Top Salaries Review Body, as to:

(1) whether there should be job-weighted pay distinctions at Permanent Secretary level;

(2) if so, what should be the subdivisions within the grade, and which Permanent Secretaries should be in each subdivision; and

(3) what would be the appropriate salary rates for each subdivision.

3. The Government considers that the case for considering job-weighted salary differentials at Deputy Secretary and Second Permanent Secretary levels is less clearly established. There is (as a rule) only one Permanent Secretary in charge of any one Department, however large or small; differences between one Department in the load carried at Second Permanent Secretary and Deputy Secretary level are broadly reflected in the numbers of posts at those levels.

4. The remainder of this note is concerned with the possibility of job-weighted salary differentials among Permanent Secretaries in charge of Departments.

facts

5. There are at present three grades of Permanent Secretary:

Grade 0 (£51,250)
Total in Grade 2
(plus PUS, FCO)

Secretary of the Cabinet
Permanent Secretary, Treasury

Grade 1 (£45,500)
Total in Grade 21
(plus C and AG,
PCA)

Permanent Secretaries in charge of
Departments:

Agriculture
Customs and Excise
Defence
Director of Public
Prosecutions
Education and Science
Employment
Energy
Environment
Health and Social Security
Home Office
Inland Revenue
Lord Chancellor's Department
Parliamentary Counsel
Scottish Office
Trade and Industry (2)
Transport
Treasury Solicitor
Welsh Office

Others in:

Cabinet Office (1)
Defence (1)

Grade 1A (£42,000)
Total in Grade 14

Second Permanent Secretaries in
the following Departments:

Cabinet Office (2)
Defence (3)
Education and Science (1)
Environment (2)
Health and Social
Security (2)
Overseas Development
Administration (1)
Treasury (3)

6. Until 1956, the only Permanent Secretary to be paid above the standard rate was the Permanent Secretary to the Treasury as *ex officio* Head of the Civil Service. The Secretary of the Cabinet became a separate post again in 1963, and the holder was paid at the higher rate. While the Civil Service Department was in existence its Permanent Secretary was *ex officio* Head of the Civil Service and was paid at the higher rate, with the Permanent Secretary to the Treasury and the Secretary of the Cabinet.

Case for further Subdivision

7. All Permanent Secretaries in charge of Departments have responsibilities for leading their Departments both in formulating policy advice and executing policy decisions and in managing the staff and organisation of the Department. There are wide differences in the extent and importance of the responsibilities of Permanent Secretaries in charge of Departments. Size of Department is one criterion but only one. Breadth of responsibility, intellectual requirements, managerial control, weight of experience, and the scale of demands are among the others. Most of these factors are impossible to quantify; but the differences are none the less real. To illustrate the case from its extremes, one can quote Sir Frank Cooper, writing to the Chairman of the Top Salaries Review Body on the date of his retirement from the public service:

"It surely must be nonsensical that my level of pay over the last ten years has been the same whether in the Northern Ireland Office or the Ministry of Defence I must tell from my own personal experience that there are vast differences between jobs. I was Permanent Secretary in Northern Ireland from the early part of 1973 to the early part of 1976. It was a very active and demanding time politically and in security and economic terms. It involved very very long hours and much travelling within the United Kingdom. Yet in terms of the demands made on me here in the Ministry of Defence and the responsibilities carried there is no real comparison. Here they have been vastly greater: the range of work is much larger; its nature more disparate and geographically widely dispersed; and, above all, there are large number of senior managers - both civilian and service - with whom one has to deal and over a wide range of issues."

In these circumstances there would be practical management value in having a pay structure which acknowledges some of these differences and provides scope for further promotion for some Permanent Secretaries.

Case against further Subdivision

8. The case against further subdivision essentially relates to the advantages of a relatively broad-banded grading system at senior levels. The fact that the grading and salary structure is (broadly speaking) common to all Departments at these levels facilitates the transaction of business between them, and the cross-posting of individuals between one Department and another within grades in the open structure. Further subdivision at Permanent Secretary level could put these advantages to some extent at risk. There is no reason to suppose that any one would work harder or more efficiently as a result; and at a time when

Unified grading is being extended down as far as Grade 7 (Principal), a grading subdivision within Grade 1 might look illogical. It would be difficult to introduce subdivisions within Grade 1 which allowed for significant salary differentials without being at risk of "opening out the concertina of salary rates" and thus increasing the overall cost of remuneration at these levels. Moreover subdivisions within Grade 1 could make more explicit the fact that there is a pecking order among Departments: the extension of explicit "class distinctions" among Departments could create resentments, could affect freedom of manoeuvre in making cross-postings of civil servants from one Department to another (not just at Permanent Secretary level), and could even inhibit the decisions of the Prime Minister in making Ministerial appointments.

9. If there is to be further subdivision in Grade 1, it should not be too complicated or sophisticated: there should be no more than two, or at most three, sub-grades.

10. As to the criteria for distributing particular Departments within the sub-grades, there must inevitably be a considerable element of subjective judgment. As there can be presumed to be some connection between size of Department and burden of management responsibility, there is attached at Annex A a list of Departments in size order. A rough indicator of policy responsibility could be the number of open structure posts; there is attached at Annex B a list of Departments in order of numbers of open structure posts.

11. Putting these two together, and taking account of other factors which can only be the matters of subjective judgment, a possible subdivision of Grade 1 into the sub-grades might be:

Permanent Secretary to:

Grade 1.1

Ministry of Defence
 Department of the Environment
 Department of Health and Social Security
 Home Office
 Scottish Office
 Department of Trade and Industry

Grade 1.2

Ministry of Agriculture
 Customs and Excise
 Department of Education and Science
 Department of Employment
 Department of Energy
 Inland Revenue
 Lord Chancellor's Department
 Northern Ireland Office
 Department of Transport
 Treasury Solicitor
 Welsh Office

2. An alternative subdivision into three sub-grades might be:

Permanent Secretary to:

Grade 1.1

Ministry of Defence
Department of the Environment
Department of Health and
Social Security
Department of Trade and Industry*

Grade 1.2

Ministry of Agriculture
Customs and Excise
Home Office
Inland Revenue
Scottish Office
Department of Transport

Grade 1.3

Department of Education and
Science
Department of Employment
Department of Energy
Lord Chancellor's Department
Northern Ireland Office
Treasury Solicitor
Welsh Office

* Assuming that the Department of Trade and Industry reverts to a single Permanent Secretary. So long as it has two joint Permanent Secretaries, they should both be in Grade 1.2.

13. Clearly, however, there is an element of arbitrariness both about the choice of number of sub-grades and about the distribution of Departments within any given subdivision, and the structures indicated in paragraphs 11 and 12 are not the only viable or defensible possibilities.

Head of the Civil Service

14. Since it is possible that at some future date the Prime Minister might decide to appoint some one else than the Secretary of the Cabinet or the Permanent Secretary to the Treasury as Head of the Civil Service, it might be convenient to establish a convention that the Head of the Civil Service should always be in Grade 0, even if he is Permanent Secretary of some other Department than the Cabinet Office or the Treasury.

ANNEX A

	<u>Total Staff in Post</u>
1. Ministry of Defence	197,630
2. Department of Health and Social Security	90,065
3. Inland Revenue	68,966
4. Home Office	36,634
5. Department of the Environment (including PSA and the Crown Suppliers)	33,522
6. Department of Employment (excluding MSC, HSC/HSE)	29,609
7. Customs and Excise	25,175
8. Department of Transport	14,215
9. Department of Trade and Industry	12,449
10. Ministry of Agriculture, Fisheries and Food	11,382
11. Lord Chancellor's Department (including Public Trustee Office)	10,017
12. Scottish Office	9,702
13. Department of Education and Science	2,386
14. Welsh Office	2,192
15. Department of Energy	1,086
16. Treasury Solicitor's Department	446
17. Northern Ireland Office	179

ANNEX B

OPEN STRUCTURE POSTS (as at October 1984)

	<u>0</u>	<u>1</u>	<u>1A</u>	<u>2</u>	<u>3</u>	<u>Total</u>
1. Ministry of Defence (excluding ROFs)		2	3	18	69	92
2. Department of Health and Social Security		1	2	12	50	65
3. Department of Trade and Industry		2		11	46	59
4. Department of the Environment		1	2	9	43	55
5. Scottish Office		1		9	27	37
6. Ministry of Agriculture, Fisheries and Food		1		5	25	31
7. Home Office		1		6	21	28
8. Inland Revenue		1		6	19	26
9. Department of Transport		1		5	18	24
10. Department of Education and Science		1	1	4	13	19
11. Department of Energy		1		2	12	15
12. Lord Chancellor's Dept		1		2	12	15
13. Welsh Office		1		2	10	13
14. Customs and Excise		1		3	8	12
15. Department of Employment		1		3	8	12 (exc MSC and HSE)
16. Treasury Solicitor's Dept		1		1	7	9
17. Northern Ireland Office		1		2	4	7

<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
MOD 92	Environment 55	Transport 24	Customs and Excise
	Health and Social Security 65	Home Office 28	Education and Science
	Trade and Industry 59	Inland Revenue 26	Employment
		Scottish Office 37	Energy ODA
		MAFF 31	Northern Ireland Office
			Welsh Office
			Lord Chancellor's Department
			Treasury Solicitor's Department

SUBJECT
 & Master Sets



file
 LPO

10 DOWNING STREET

From the Principal Private Secretary

4 October 1984

MEGAW: THE PAYMENT OF PERMANENT AND
 DEPUTY SECRETARIES

The Chancellor of the Exchequer raised this matter with the Prime Minister yesterday evening.

The Chancellor repeated the view in his letter of 19 September that the question of whether or not there should be differential levels of pay for Permanent Secretaries is a matter which the Government should decide for themselves rather than refer to the Top Salaries Review Board. He suggested that Sir Robert Armstrong should be asked, as Head of the Civil Service, to recommend any changes in the present categorisation of Permanent Secretary posts for pay purposes.

The Prime Minister said that she still felt that Lord Plowden, with his great experience of the Civil Service, would be able to give useful advice. But she agreed that Sir Robert Armstrong should first be asked whether he felt able to make a recommendation to Ministers on this matter without reference to the TSRB.

The Prime Minister would be grateful if you would hold up a reference to the TSRB until Sir Robert Armstrong has had an opportunity to advise.

I am copying this letter to the Private Secretaries to members of the Cabinet, to Sir Robert Armstrong and to Sir Robin Ibbs.

Robin Butler

Paul Thomas, Esq.,
 Office of the Chancellor of the Duchy of Lancaster

Ko



CCND

FCS/84/259

CHANCELLOR OF THE DUCHY OF LANCASTER

MEGAW: The Payment of Permanent and Deputy Secretaries

with FERBS

1. Thank you for copying to me your minute of 12 September to the Prime Minister. As you will know the Diplomatic Service introduced in 1981 a single Senior Grade with five salary points equating to those of Home Civil Service Grades 1-3 and the intermediate pay points between grades 1A and 2 and between grades 2 and 3.

2. We have found this a useful and satisfactory tool for reflecting differences in job weighting - which can change quickly as a particular country's relative importance may rise and fall - and also for recognising individual merit. We operate the scheme under a formula agreed with the Treasury to ensure that the new single grade does not cost more than the old system. While I would be interested in comparing this arrangement with any new proposals you may devise, as far as the Diplomatic Service is concerned I do not wish at present to seek any change in existing procedures which are adequate for our needs.

3. I am copying this minute to Cabinet colleagues and to Sir Robert Armstrong.

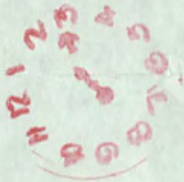
GEOFFREY HOWE

4 October, 1984

Civil Service

Pt 14
By

F-4 OCT 1984





file

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10 DOWNING STREET

From the Private Secretary

28 September, 1984

Dear Paul,

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

The Prime Minister has seen the Chancellor of the Duchy's minute of 12 September and the comments of the Chancellor of the Exchequer, the Secretary of State for the Environment and Sir Robin Ibbs. She considers that it would be helpful for job weighting for Permanent Secretaries, but not second Permanent Secretaries or Deputy Secretaries, to be referred to the TSRB.

I am sending a copy of this letter to the Private Secretaries to members of Cabinet and to Richard Hatfield (Cabinet Office) and Sir Robin Ibbs.

*Yours sincerely
A. Turnbull*

(A. Turnbull)

P. Thomas, Esq.,
Chancellor of the Duchy of Lancaster's Office.

From: THE PRIVATE SECRETARY



NORM
AT 28/5
CENO

NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

Andrew Turnbull Esq
Private Secretary
No 10 Downing Street
LONDON SW1

27th September 1984

Dear Andrew,

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

The Secretary of State has seen Lord Gowrie's minute of 12 September to the Prime Minister proposing that the Megaw recommendation regarding salaries of Permanent Secretaries and Deputy Secretaries should be referred to the TSRB to consider in their forthcoming review of top salaries. He has also seen the letters recording the views of the Chancellor of the Exchequer and the Secretary of State for the Environment.

Mr Hurd would be opposed to referring this issue to the TSRB, unless Ministers had considered a statement of the advantages and disadvantages of the Megaw recommendation, such as Lord Gowrie intends should be sent to TSRB, and were broadly neutral or in favour of change.

I am copying this letter to the Private Secretaries of other members of the Cabinet and to Richard Hatfield in Sir Robert Armstrong's office.

Yours Sincerely
Neil Ward.

N D WARD

From: The Postal Director
Current Source PT14

NORFOLK ISLAND OFFICE
POST OFFICE
HOBART

28 SEP 1984

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

Ray



D.R.

PRIME MINISTER

PAY OF PERMANENT SECRETARIES

You were inclined to accept Lord Gowrie's recommendation, supported by Sir Robin Ibbs, that the question of job weighting for Permanent Secretaries should be referred to the TSRB.

The Chancellor has doubts because, he says, Ministers should decide these things for themselves. He would be inclined to make no changes in the present arrangements.

I am not sure that this is a terribly convincing reason for not referring the issue to the TSRB. Of course Ministers will take final decisions, but that is no reason for not seeking the best objective advice, as is the practice with all other top salary questions. Indeed, an outside opinion may be particularly important in this case, given the in-fighting which is bound to develop when some Ministers realise that their Departments are not going to be in the top category.

Clearly the Chancellor has no enthusiasm for job weighting, and would prefer to kill off the concept now. But the Government is not bound by TSRB, and he could argue for rejection at a later stage.

Content to maintain your support for the recommendation of Lord Gowrie and Sir Robin Ibbs?

ans
Yes

27 September 1984

1. MR BUTLER ^{FERB}
2. PRIME MINISTER

Pay of Permanent and Deputy Secretaries

The attached minutes from Lord Gowrie and Sir Robin Ibbs pick up the Megaw recommendation on job weighting for Permanent and Deputy Secretaries.

Lord Gowrie and Sir Robin agree:

- i) That there is not much of an argument for job weighting at Second Permanent Secretary or Deputy Secretary level, since the varying number of posts in these grades tend to compensate for variations in work loads between Departments.
- ii) That there may well be a case, on the other hand, for differential pay levels at Head of Department level.
- iii) That the question of job weighting should be referred to the TSRB. Sir Robin Ibbs thinks the reference should be limited to Permanent Secretary pay only, in view of the doubts about the value of job weighting at lower levels.

Sir Robin also suggests that there is a case for a further payment to the Head of the Civil Service, in recognition of the breadth of his responsibilities and his leadership role. The TSRB's view on this can be expected to emerge naturally from any comprehensive review of Permanent Secretaries salary.

Content for the question of job weighting for Permanent Secretaries to be referred to TSRB, for consideration in their forthcoming Review of Top Salaries?

JMS

[Handwritten signature]

25 September 1984



MANAGEMENT IN CONFIDENCE

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

25 September 1984

Dear Andrew

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

My Secretary of State saw Lord Gowrie's minute of 12 September to the Prime Minister proposing that the Top Salaries Review Body should be asked to advise on whether or not more differentiation should be introduced into the pay of permanent and Deputy Secretaries. He has also seen subsequently Judith Simpson's letter of 19 September recording the Chancellor's comments.

My Secretary of State has asked me to let you know that he agrees with the Chancellor on this issue. Accordingly he too would propose that things be left as they are.

Copies of this letter go to the Private Secretaries to other Members of the Cabinet and to Richard Hatfield in Sir Robert Armstrong's office.

Yours sincerely

John Ballard
JOHN BALLARD
Private Secretary

Andrew Turnbull Esq

Civil Service PT 14

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25 SEP 1984

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COMPLIMENT

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MANAGEMENT IN CONFIDENCE

PRIME MINISTER

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

You sought my advice on Lord Gowrie's proposals (dated 12th September) for considering further differentiation in the pay of Permanent Secretaries and Deputy Secretaries. My views are as follows:

1. I believe there are wide differences in the extent and importance of the responsibilities of Permanent Secretaries in charge of Departments. I agree that size of Department is by no means the only criteria.
2. I also believe that in these circumstances there is practical management value in having a pay structure which acknowledges some of these differences and provides scope for further promotion for some Permanent Secretaries.
3. I agree that if differential pay rates are introduced the scale needs to be simple, with at most only three levels and possibly, as now, only two but in that event with a few additional Permanent Secretaries in the top level.
4. I believe that in addition to the scale based on Departmental responsibilities, the Head of the Civil Service should receive a further payment above his Departmental rate. I regard this as an important way of emphasising his responsibility, in addition to his Departmental duties, for leading the Civil Service and for improving management in the widest sense. For this task he should have obvious and widely acknowledged top status.
5. So far as possible, some factual basis is needed for judging the differences in responsibilities. Only then will it be sensible to decide finally whether any change is justified, how many categories would be appropriate and what the differentials in pay should be. I would advise against Ministers trying to solve the problem only on the basis of intuition.
6. I agree that the TSRB should be asked to advise on this question of different levels of responsibility and possibly differentials. It is inevitable that any view will be to a considerable extent judgemental, and I



- 2 -

believe that they should be encouraged to take a fairly bold view of the problem, to concentrate on broad differences and to avoid, for example, very detailed investigation of the work of all Permanent Secretaries.

7. From my knowledge of Departments I see no case for differentiating at this stage between second Permanent Secretaries or between Deputy Secretaries. As Lord Gowrie suggests, differences are in practice much reduced by the variation in numbers and organisation within Departments. Furthermore I would not favour putting this possibility to the TSRB this year as they will be fully stretched anyhow if they take on a review of Permanent Secretaries in charge of Departments.
8. I am sending a copy of this minute to Lord Gowrie.

ROBIN IBBS
24th September, 1984

CIVIL SERVICE: Pay Pt 14



Lord Gortie suggests, differences are in practice much

25 SEP 1984

25 SEP 1984

12 1
11 2
10 3
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8 5



cc/no

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

19 September 1984

Andrew Turnbull Esq
Private Secretary
No 10 Downing Street
LONDON SW1

*Await
Sir R Ibbotson*

*D
w/j*

Dear Andrew,

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

The Chancellor of the Exchequer saw before he left for Toronto Lord Gowrie's minute of 12 September to the Prime Minister proposing that the Top Salaries Review Body should be asked to advise on whether or not more differentiation should be introduced into the pay of Permanent and Deputy Secretaries.

The Chancellor has said that he is dubious about any advantage likely to arise from asking the TSRB for their advice on the principle of introducing greater pay differentiation for these grades. He feels that this is a matter which Ministers should decide themselves. In that context, his preference would be to leave things as they are.

Copies of this go to the private secretaries of other members of the Cabinet and to Richard Hatfield in Sir Robert Armstrong's office.

Yours ever,

J.C.S.

MISS J C SIMPSON
Private Secretary

Civil Service Pt 14

Pay

20 SEP 1984

GOVERNMENT



30

10 DOWNING STREET

From the Private Secretary

SIR ROBIN IBBS

MEGAW: THE PAYMENT OF PERMANENT AND
DEPUTY SECRETARIES

I understand that you may not yet have seen the attached minute to the Prime Minister from Lord Gowrie about the pay of Permanent and Deputy Secretaries.

BS1

I know that the Prime Minister would value your advice on this subject, and I have mentioned to Lord Gowrie's office that I am seeking your views.

(DAVID BARCLAY)
17 September 1984

TMB.



Chancellor of the Duchy of Lancaster

PRIME MINISTER

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

When the Megaw Committee considered the introduction of merit pay in the Civil Service, they concluded that it was not possible to devise a satisfactory merit pay scheme at Permanent and Deputy Secretary level, but thought that further differentiation should be introduced into the pay of Permanent and Deputy Secretaries related to the weight of the jobs they perform. Having taken decisions in Cabinet on merit pay we should now consider what, if anything, we should do about this recommendation.

A case can be made for introducing some further differentiation of pay between Permanent Secretaries in charge of Departments. The argument is that, while size of Department is by no means the only valid criterion, there are a small number of Permanent Secretaries whose responsibilities are clearly heavier than those of the generality and that this should properly be reflected in differential pay rates. I believe that, if such a change were to be introduced, it should be kept simple: the obvious options are either to add one or two Permanent Secretaries to the present "super" category (which at present consists of the Secretary of the Cabinet, the Permanent Secretary at the Treasury, and the Permanent Under Secretary of State, Foreign and Commonwealth Office) or to introduce a new intermediate category between the "super" category and the main grade. The case for seeking to differentiate the pay of different Deputy Secretaries (Grade 2) and Second Permanent Secretaries (Grade 1A) is less clear: it could be argued that rough equality of job weight is assured by the varying numbers employed in different departments.

There are arguments both for and against change, and I do not offer any conclusion at this stage. On the other hand the Megaw recommendation exists and we ought to come to a view on it. I believe that the best course would be to refer the issue to the Top Salaries Review Body for consideration in the context of their forthcoming review of top salaries; we can then decide the matter in the light of their advice. If we are to do this, we should do so soon, before the TSRB get too far into the preparations for their next report. I envisage that official evidence would be confined to factual material and to statements of the arguments for and against: we should not offer a Government view.

If you and colleagues agree in principle I will let you have a draft letter to send to Lord Plowden, inviting the TSRB to consider this matter in their forthcoming review.

Copies go to Cabinet colleagues and to Sir Robert Armstrong.

GOWRIE
12 September 1984

Civil Service - Pay & Pension Pt 14.



10 DOWNING STREET

THE PRIME MINISTER

20 June 1984

File *ISM*
CC HMT

Dear Lord Plowden,

I am grateful to you and the other members of the Review Body on Top Salaries for the work which has gone into your Seventh Report. Would you please pass my personal thanks to all concerned.

As you are aware, the Government has accepted the rates you recommended but bearing in mind the cost implications, direct and indirect, and the need for continued restraint in public expenditure, we considered that it would not be right to implement the recommendations in full before 1 November 1984.

Yours sincerely
Margaret Thatcher

The Rt. Hon. Lord Plowden, K.C.B., K.B.E.

SSS



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

18 June 1984

Andrew Turnbull Esq
10 Downing Street
LONDON
SW1

Dear Andrew

PAY REVIEW BODIES 1984

... As requested in your letter of 13 June, I enclose the draft of a letter of thanks to the chairman of the Top Salaries Review Body.

*Yours sincerely,
Margaret O'Mara*

MISS M O'MARA
Private Secretary

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

The Rt. Hon. Lord Plowden KCB, KBE

I am grateful to you and the other members of the Review Body on Top Salaries for the work which has gone into your Seventh Report. *Would you please pass my personal thanks to all concerned*

As you are aware, the Government has accepted the rates you recommended but bearing in mind the cost implications, direct and indirect, and the need for continued restraint in public expenditure, we considered that it would not be right to implement the recommendations in full before 1 November 1984.

Flow for
TSAB
HXS

11 8 JUN 1984



CONFIDENTIAL



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

From the Secretary of State for Social Services

*GR pl-type
 - 2 letters.
 ✓
 cc Mrs - Desbush*

Andrew Turnbull Esq
 Private Secretary
 10 Downing Street
 LONDON SW1

18 June 1984

Dear Andrew,

PAY REVIEW BODIES 1984

As requested in your letter of 13 June I now attach draft letters for the Prime Minister to send Sir Robert Clark and Sir John Greenborough.

The Secretary of State saw Sir Robert Clark on the afternoon of publication of the review body reports. Sir Robert expressed disappointment that the Government had not felt able to implement the DDRB report in full from 1 April, but recognised the difficulties it faced. He saw it as particularly important that a rigid 3 per cent limit had not been applied and that the full recommended rates would be in payment before the next review. In view of this Sir Robert felt that the Government's response was compatible with the continued operation of the review body system.

Sir John Greenborough was telephoned by Sir Kenneth Stowe on the same afternoon. So far as the Review Body for Nursing Staff and the Professions Allied to Medicine is concerned, the full implementation of the recommendations in their two reports and the substantial contribution to the costs from the Reserve left little room for discontent, and Sir John Greenborough raised no points of substance. It might nonetheless be as well to set in context the decision to implement these reports in full, while phasing the others, and the draft reply includes an additional paragraph to do this.

*Yours ever,
 Eten*

MISS ELLEN ROBERTS
 Private Secretary

ENC

DRAFT LETTER TO SIR ROBERT CLARK FROM THE PRIME MINISTER jsc

Thank you for your letter of 18 April enclosing the Review Body's fourteenth Report. I am most grateful to you and your colleagues for the careful consideration that clearly went into its preparation. As you know, we wanted to look at all the review body reports together and I announced the Government's decisions on 7 June. For doctors and dentists, we decided that the fully up-to-date current rates will be increased by 3 per cent from 1 April and to the full amounts recommended in your report from 1 November.

The decision to stage the award was taken in the light of what the Government felt could be afforded without unacceptable consequences. We had to regard this as the decisive factor. We faced a no less difficult choice in relation to the recommendations of the nurses' review body, where we felt, exceptionally, that the understandings on which it was set up should outweigh the considerable cost implications of implementing them in full.

We considered it important to approach all the reports without rigid preconceptions, and to try to ensure that pay was fully up to the levels recommended well in time for the next review. The decisions we reached offers what I believe to be the best compromise between large immediate increases and minimising the effects on service developments.

DRAFT LETTER TO SIR JOHN GREENBOROUGH

KBE

I am writing to thank you and your colleagues on the review body for your reports on the pay of nursing staff, midwives and health visitors, and on the professions allied to medicine. I am aware of the time constraints within which you worked, and I appreciate the efforts you made to submit your reports on time. I have also noted your planned programme for the coming year.

In considering the reports, the Government took account of the factors leading to the establishment of the Review Body, and of the special circumstances of this, its first report. In the light of those special factors, the Government decided, as you know, to accept the recommendations in both your reports in full, the bulk of the cost being met from the Reserve and the balance from health authorities' cost improvement savings. You will also be aware that, in the light of the overall cost and the clear need for restraint in public expenditure, the recommended increases for groups covered by the other review bodies will be implemented in stages.

For the future, affordability and developments in relation to productivity in nursing and the professions allied to medicine, as well as factors such as recruitment and retention, are likely to be major factors in Government decisions.

MARGARET THATCHER

dcaabu

CONFIDENTIAL

R M



FILE

cc:- LP
LC
HMT
MOD
S.Services
EMP
CO

with AT.

10 DOWNING STREET

From the Private Secretary

18 June, 1984

EARLY RETIREMENT: ARMED FORCES MODEL

The Prime Minister saw over the weekend Lord Gowrie's minute of 4 June about the possible relevance to the Civil Service of the Armed Forces approach to early retirement. She is content with Lord Gowrie's conclusion that there is unlikely to be advantage in adopting significant features of the armed forces model.

I am sending a copy of this letter to the Private Secretaries to the recipients of Lord Gowrie's recent minute.

(David Barclay)

Miss S. Phippard,
Lord Gowrie's Office

CONFIDENTIAL

SM



10 DOWNING STREET

From the Private Secretary

13 June, 1984

Pay Review Bodies 1984

The Prime Minister will want to write to the Chairmen of the Review Bodies to thank them and their colleagues for their work. I would be grateful if you could provide drafts to be sent to Sir Robert Clark and Sir John Greenborough, expressing her thanks and explaining briefly the reasons behind the Government's decisions. The letters should also take account of any points which were raised when your Secretary of State communicated the Government's decision to the Chairmen last Thursday. Likewise, I would be grateful if Nick Evans could provide a draft letter to Sir David Orr and Margaret O'Mara one to Lord Plowden. Could these drafts reach me by close of play on Monday.

I am copying this letter to Nick Evans (Ministry of Defence) and Margaret O'Mara (H.M. Treasury).

ANDREW TURNBULL

S. A. Godber, Esq.,
Department of Health and Social Security

MP



pe k

10 DOWNING STREET

From the Private Secretary

13 June 1984

PAY REVIEW BODIES

I am writing on behalf of the Prime Minister to thank you and your colleagues in HMSO for their work in producing the Review Body Reports. It was very helpful to have the assistance of the Foreign Office press in producing the numbers of reports needed - greater than ever this year - in the secure conditions needed in cases of this kind.

Please pass our thanks to all concerned.

ANDREW TURNBULL

F. Grigson, Esq.

nr

020
CONFIDENTIAL

Ref. No: FIN(84)5
7.6.84

REVIEW BODY REPORTS

Conservative Research Department,
32 Smith Square,
London SW1
Tel. 222 9000

Enquiries on this brief to:
PETER CROPPER

REVIEW BODY REPORTS

WHAT HAS BEEN DECIDED?

Nurses' Review Body recommendations given in full from 1 April - about 7.5 per cent increase. Other groups get 3 per cent from 1 April and the balance of recommendation from 1 November. For Armed Forces balance is 4.6 per cent and an effective increase during year of 4.92 per cent; for Doctors etc 3.9 per cent and 4.63 per cent; and for senior public servants 3.5 per cent and 4.46 per cent.

WHY HAVE REVIEW BODY AWARDS BEEN DELAYED (EXCEPT NURSES)?

Cost, both direct and by way of repercussions. But Government thought it right to meet the nurses recommended award in full from 1 April.

WHY NOT USE THE RESERVE TO PAY ALL AWARDS IN FULL FROM 1 APRIL?

Government has always made it clear that the presumption is that the cost of pay awards (Review Bodies and others) would be met from existing programmes. But the size of NHS increases meant it was right to meet a proportion from the Reserve.

WRONG TO REJECT REVIEW BODIES' RECOMMENDATIONS?

No. Government must be final judge of what is right and what can be afforded. Recommendations of the Review Bodies' have not always been implemented in full from recommended dates. There are many examples: AFPRB in 1978; TSRB in most recent years; DDRB in 1981 and 1982. Full recommended rates in payment for all from 1 November 1984.

WHAT IS THE MESSAGE FOR PAY OF OTHER PUBLIC SERVICE GROUPS?

Control of public expenditure remains a paramount consideration. Government's monetary and fiscal policies have brought inflation down and provided the framework - the only framework there is - for sustained, non-inflationary growth. This is the clear and compelling reason underlying decision on reports. Signal is obvious. Note that increase in pay for all Review Body groups (except nurses) under 5 per cent during 1984-5.

GOVERNMENT ATTITUDE TO PAY?

Pay should be settled between employers and employees. Cost, and the recruitment, retention and motivation position, are what matter, not what other groups are getting or places in the "pay league".

PUBLIC PAY POLICY?

No specific policy. Government believes all pay negotiators should behave responsibly. Low inflation makes it easier to have low pay settlements. Low pay settlements mean better cost competitiveness, more employment and better public services within a given amount of public expenditure.

PUBLIC SERVICE PAY DEPRESSED?

For public services as whole, pay is now better relative to private sector than in late 1970s.

WHY DO SOME PUBLIC SERVICE GROUPS SEEM TO DO BETTER THAN OTHERS?

Groups differ. Recruitment and retention factors vary. With 2 million public service employees there are a variety of circumstances; not all have to be treated alike.



File

H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 3889

E P Kemp
Deputy Secretary

~~SECRET UNTIL AFTER ANNOUNCEMENT IS MADE~~
(Probably a little after 3 30pm today)

P L Gregson Esq CB
Cabinet Office
Whitehall
SW1

7 June 1984

D. J. DeW

REVIEW BODIES

I attach a copy of the Press Notice we are issuing this afternoon, together with a copy of background material which the Chancellor has seen and authorised for use by Press Offices and others in response to questions etc.

I am copying this letter to Chris France (MOD), Pat Benner and Geoffrey Hulme (DHSS), Douglas Smith (DEm), Derek Wiblin (LCD), Phillip Halsey (DES), and Nick Owen (No 10). It would be helpful if they could arrange their own internal circulation as maybe appropriate, including their Press Offices and their Ministers' offices as they think fit.

E P Kemp
R. J. P.

E P KEMP



H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233 3415
Telex 262405

7 June 1984

GOVERNMENT DECISIONS ON PAY OF: SENIOR PUBLIC SERVANTS; ARMED FORCES; DOCTORS AND DENTISTS; AND NURSES AND PROFESSIONS ALLIED TO MEDICINE

The Government today published its decisions on Reports from the Top Salaries Review Body, Armed Forces Pay Review Body and from the Doctors' and Dentists' Review Body.

2. A copy of the Written Answer given by the Prime Minister today is attached.

PRESS OFFICE
H M TREASURY
PARLIAMENT STREET
LONDON SW1P 3AG

01-233-3415

96/84

Notes to Editors

Detailed inquiries about Armed Forces pay should be addressed to Press Office, Ministry of Defence, (218 7924/31); and about the pay of Doctors, Dentists, Nurses and professions allied to medicine to Press Office, Department of Health and Social Security, (407 5522).

All other inquiries should be made to Press Office, H M Treasury, (233 3415)

Background Notes on the Review Bodies are attached.

Mr Peter Bottomley: To ask the Prime Minister if she will make a statement on the reports of the pay review bodies.

The Prime Minister

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

The report on Nursing Staff, Midwives and Health Visitors recommends new rates of pay which will add 7.5 per cent to the estimated pay bill for 1984-85. In the report on Professions allied to Medicine the equivalent figure is 7.8 per cent. The Government has decided to accept the recommendations in full with effect from 1 April 1984.

The reports of the Doctors and Dentists Review Body, the Armed Forces Pay Review Body and the Top Salaries Review Body on the higher Civil Service, Senior Armed Forces Officers and the judiciary recommend increases which would add 6.9 per cent, 7.6 per cent, and just under 6.5 per cent respectively to the estimated 1984-85 pay bills for the groups concerned. Bearing in mind the overall cost and the clear need for continued restraint in public expenditure, the Government considers that it would not be right to implement the recommendations in full from 1 April 1984. The increase payable from that date for all groups will be 3 per cent and the recommended rates will be paid from 1 November 1984. Pensions will be based on the salaries actually in payment in accordance with the principle set out in my written Answer on 13 April 1984 (OR Col 383). The average increase in pay received by these groups over the twelve months beginning on 1 April 1984, is estimated to be: for doctors and dentists 4.63 per cent; for the armed forces 4.92 per cent; and for the higher civil service, senior armed forces officers and the judiciary 4.46 per cent.

In the case of the armed forces and generally for the top salary groups the costs of these increases will be contained within existing Departmental programmes. In the case of the NHS groups, health authorities will be expected to find from efficiency savings part of the cost in excess of existing provision and the balance will be charged to the Reserve.

The pay rates and scales resulting from these decisions will be promulgated as soon as possible. The Government will be considering separately certain recommendations on points of detail.

BACKGROUND NOTES ON THE REVIEW BODIES

Review Body on Top Salaries was appointed in May 1971 to advise the Prime Minister on remuneration of higher judiciary and certain other judicial appointments; senior civil servants; senior officers in the armed forces; and such other groups which might be referred to it (in practice, MPs' and Ministers' pay and allowances). Until August 1980, the TSRB also advised on the remuneration of the Chairmen and Members of the Boards of Nationalised Industries.

Chairman: Lord Plowden, KCB, KBE.

Review Body on Doctors' and Dentists' Remuneration was appointed in July 1971 to advise the Prime Minister on the remuneration of doctors and dentists taking any part in the National Health Service.

Chairman: Sir Robert Clark, DSC

Review Body on Armed Forces' Pay was appointed in September 1971 to advise the Prime Minister on the pay and allowances of members of the Naval, Military and Air Forces of the Crown, and of any women's service administered by the Defence Council.

Chairman: Sir David Orr, MC

Review Body for Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicine was established in July 1983 to advise the Prime Minister, on the remuneration, with effect from 1 April 1984, of:

- (i) nursing staff, midwives, health visitors employed in the National Health Service; and
- (ii) physiotherapists, radiographers, remedial gymnasts, occupational therapists, orthoptists, chiropodists, dieticians, and related grades employed in the National Health Service.

Chairman: Sir John Hedley Greenborough, KBE, LLD

The Secretariats for the four review bodies are supplied by the Office of Manpower Economics.

BACKGROUND FOR IDT AND OTHERS

A copy of the press notice setting out the Prime Minister's statement is attached. Detailed questions on the AFPRB Report should be referred to MOD; on the DDRB and NRB to DHSS. General questions about the Review Bodies and detail on the TSRB should be referred to the Treasury

1. What did Review Bodies recommend and what is being awarded?

	<u>Average percentage increase:</u>			<u>Average inc for 1984-85 as a whole</u>
	<u>Recommended from 1.4.84</u>	<u>Awarded from 1.4.84</u>	<u>Further Awarded from 1.11.84</u>	
Armed Forces Pay Review Body (all ranks up to Brigadier and equivalent)(321,000)	7.6	3.0	4.6	4.92
Doctors and Dentists' Review Body (94,950)	6.9	3.0	3.9	4.63
Top Salaries Review Body (1,914) (682 civil servants at Under Secretary and above; 215 senior military personnel; 1017 senior members of judiciary)	6.5	3.0	3.5	4.46
Nurses etc Review Body -nursing staff, midwives and health visitors (550,000 in all)	7.5	7.5	-	7.5
- professions allied to medicine (44,000)	7.8	7.8	-	7.8

2. What will awards cost in 1984-85 and how much saved by not implementing in full from 1 April 1984?

See Annex II.

3. When will individual new pay scales be promulgated? Be paid?
 New pay rates will be promulgated as soon as possible. This may take some time for certain groups, where complicated calculations are needed. TSRB groups should get 3 per cent increase, plus arrears from 1 April, by end of July. For further details on Armed Forces, consult MOD; on doctors, dentists, nurses, etc, consult DHSS.
- Annex II lists the present and new pay rates. It should not be issued to the press. But can be drawn upon if new 1 April and 1 November salary grades are requested for a typical grade.
4. How is the award to be financed? How much from the Reserve?
AFPRB absorbed by MOD: TSRB generally absorbed by Departments /if pressed: may give minor bids: DDRB and NMRB in part from cost improvements * estimated £46 million; balance, from Reserve, estimated at £233 million.
5. Where costs not met from Reserve what is effect on service levels?
 TSRB awards costs are too small to have significant effect on service levels. For others, consult MOD, DHSS.
6. Large Reserve this year (£2.75 billion): Why not meet greater proportion of costs from it?
 Government always made it clear that presumption is that cost of pay awards (Review Body groups and others) would be met from existing programme. But size of the award for Health Service programmes meant it was right to meet a proportion from Reserve.
7. Reserve in trouble - more July measures?
 Reserve not in trouble. After only two months of this year it is too early to discern a trend in public spending. Reserve this year at £2.75 billion is high in relation to provision in earlier years; and no allowance was made this year for shortfall.
8. Why did Government defer full implementation of Review Body reports?
 Cost, both direct and by way of risk of repercussion. Government has ultimate responsibility for deciding how much can be made available for pay in central Government public services.

9. Why give more to armed forces, doctors and dentists than civil servants and teachers?

TSRB decisions give much the same as teachers, non-industrial civil servants have been offered. A common phasing of recommendations has been applied to all the reports (except nurses, PAM). Resulting increases in 1984-85 pay reflects the recommendations of the review bodies, as modified by this common phasing.

10. Why, if cost overriding consideration, make exception for nurses?

The Government judged it right to implement the Review Body's first reports in full.

11. How does Government reconcile the awards it has made with its aim that pay settlements should fall in public sector?

Because the full implementation of the awards is delayed, the increase in the 1984-85 pay bill will be lower than in 1983-84. Exception is nurses.

12. What is the message of awards for other groups who have yet to make pay settlements - eg NHS ancillaries?

Control of public expenditure remains a paramount consideration. This Government's monetary and fiscal policies have brought inflation down, and provided the framework - the only framework there is - for sustained, non-inflationary growth. This is the clear and compelling reason underlying decision on reports. Signal is obvious. Note that increase in pay bill for all (except nurses) is well under 5 per cent during 1984-85. Excessive pay settlements in the public service put service levels at risk.

13. Civil Service pay?

Treasury has made final offer worth about 4.5 per cent on 1984-85 pay bill to the non-industrial Civil Service. This is a very fair offer, and maximum that can be afforded. This is more than the increase senior Civil Servants covered by TSRB will receive in 1984-85.

14. 3 per cent norm is bust?

3 per cent was allowance built into public expenditure plans. Always made clear not a norm, but measure of what could be afforded for pay. These decisions do not alter Government's determination to keep public expenditure within planned totals taking account of actual pay increases for Review Body groups.

15. Impact on public expenditure in future years?
Matter for public expenditure survey: wait for the Autumn Statement and the next Public Expenditure White Paper. They will show how the extra costs will be accommodated within existing public expenditure totals.
16. Pensions backdate?
No. Will be paid on basis of salaries actually in payment, as PM made clear in PQ Answer 13 April (Annex II).

Are not MPs' pensions going to be backdated?
[Bill to improve Parliamentary pensions has second reading on 11 June].
No. Bill includes no proposals for linking pensions to notional salaries. Note that improvements in MPs' pensions is combined with 50 per cent increase in contributions rates from 6 per cent to 9 per cent of salary. [Fuller briefing on MPs' pay and pensions has been provided to IDT separately].
17. Rejection of other Review Bodies' reports means Government disillusioned with Review Body system?
On contrary, reports not rejected. Government grateful to Review Bodies, found reports very helpful. That is why agreed to implement the rates recommended in full from 1 November, rather than abate them. But only Government can judge what can be afforded: hence delays in implementation.
18. Manifesto promise to armed forces broken?
1983 Manifesto made no promise about awarding AFPRB recommendations at once and in full. (See also 10 above).
19. Unfair to hold armed forces pay back when police pay goes up automatically by leaps and bounds?
Police pay determined according to formula proposed by Edmund-Davies report against background of acute recruitment and morale problems. Working of formula has succeeded in meeting these objectives. Joint review of arrangements, as provided for in Edmund-Davies report, taking place.
20. Why nationalised industry chairmen, board members treated so generously compared with Review Body groups? Daily Telegraph 31 May reports increases of up to 30 per cent?
Stale news. Awards in DT report date from 1 April 1983. Few very large increases and justified on what needs to be paid to recruit and retain particular individuals to fill these key appointments in the light of what they could earn outside the public sector.
[If asked] no decisions yet made on 1984 Board salaries.

21. TSRB calls recommendations "relatively modest" - why not give in full?
Disagree that proposed increases are modest in relation to elsewhere in the public sector. TSRB sees "warning signs" over manning in the future; but says "no problem in obtaining individuals of calibre required" and remarks on the "value of secure employment in the public service". Government satisfied that it is right to modify recommendations in way proposed.
22. TSRB groups get four increases in 16 months?
True. But all basically catching up exercises. 1 August 1983 to implement increase recommended from 1 April 1983; 1 January 1984 to implement amounts abated at April 1982; 1 April 1984; 3 per cent now being awarded; further 3.5 per cent from 1 November 1984 to implement full rates now recommended. TSRB groups fully up to date in line with recommendations from 1 November 1984 (and same for all other Review Body groups).
23. TSRB 1985 Review?
Note that TSRB propose to carry out full and thorough survey of levels and structure of remuneration of this group. (Note 1984 recommendations merely updating). Government look forward to TSRB recommendations. Obviously cannot foretell reaction. But Government will have to take account of all relevant factors, including recruitment, retention, motivation, non-pay benefits and cost.
24. What about senior diplomats' pay?
Senior diplomatic service pay follows that for TSRB grades in Home Civil Service. [Questions of detail: refer to FCO.]
25. Comparability
[Argument in some Review Body Reports start from comparability: does implementation from 1 November mean Government endorses comparability?]
Not necessarily. Cost, recruitment, retention and motivation are factors which must always be taken into account.

What will awards cost in 1984-85 and how much saved by not implementing in full?

	<u>GB, £ million</u>		
	<u>Cost of Review Body Recommendations</u>	<u>Cost of actual awards</u>	<u>Difference</u>
AFPRB	198*	128	70
TSRB	4	3	1
DDRB	210	162	48
NRB	291	291	nil
TOTALS	<u>703</u>	<u>584</u>	<u>119</u>

*AFPRB's own estimates. Other figures are Departments' initial cost estimates, which include the cost of various allowances, and may differ from the figures given in the Review Body Reports.

AFPRB being absorbed by defence programme. The excess over 3 per cent provision is estimated at roughly £50m.

TSRB being generally absorbed by Departments. The excess over 3 per cent provision is about £1m.

DDRB and NRB excess over 3 per cent provision is estimated at £279 million for UK of which an estimated £46 million being met from cost improvements, and an estimated £233 million balance from the Reserve.

CONFIDENTIAL: NOT FOR USE

Figures exclude costs of certain dentists' expenses (estimated at £29 million) which are consequential, but not covered by the Review Body Reports. 7

SENIOR PUBLIC SERVANTS

	Salaries currently in payment £	Salaries w.e.f. 1.4.84 £	Salaries w.e.f. 1.11.84 £	Numbers in post at 1.1.84
<u>Senior grades of the higher Civil Service</u>				
Secretary of the Cabinet)	48,000	49,440	51,250	2
Permanent Secretary to the Treasury)				
Permanent Secretary	42,750	44,033	45,500	21
Second Permanent Secretary	39,500	40,685	42,000	16
Deputy Secretary	34,250	35,278	36,500	140
Under Secretary	27,750	28,583	29,500	503
<u>Senior officers in the Armed Forces</u>				
Admiral of the Fleet)	48,000	49,440	51,250	1
Field Marshal)				
Marshal of the Royal Air Force)				
Admiral)	42,750	44,033	45,500	22
General)				
Air Chief Marshal)				
Vice-Admiral)	34,250	35,278	36,500	37
Lieutenant General)				
Air Marshal)				
Rear Admiral)	27,750	28,583	29,500	155
Major General)				
Air Vice-Marshal)				
<u>Judiciary</u>				
Lord Chief Justice	60,000	61,800	64,000	-1
Master of the Rolls)	55,000	56,650	58,500	11
Lord of Appeal)				
Lord President of the Court of Session (Scotland))				
Lord Chief Justice (Northern Ireland) President of the Family, Division)	53,500	55,105	57,000	2
Vice Chancellor)	52,000	53,560	55,500	26
Lord Justice of Appeal)				
Lord Justice Clerk (Scotland))				
Lord Justice Appeal (Northern Ireland))				
High Court Judge)	48,000	49,440	51,250	101
Judge of the Court of Session (Scotland))				
Puisne Judge (Northern Ireland))				

SECRET

UNTIL ANNOUNCEMENT IS MADE
THEN UNCLASSIFIED

	Salaries currently in payment	Salaries w.e.f. 1.4.84	Salaries w.e.f. 1.11.84	Numbers in post at 1.1.84
President, Lands Tribunal (England and Wales)				
President, Transport Tribunal				
Chief Social Security Commissioner (England and Wales and Scotland)	33,750	34,763	36,000	4
President, Industrial Tribunals (England and Wales)				
President, Industrial Tribunal (Scotland)				
Sheriff Principal (Scotland)				
Chairman, Scottish Land Court				
President, Lands Tribunal (Scotland)				
Official Referee (London)				
Vice-Chancellor of the County Palatine of Lancaster	32,750	33,733	35,000	20
Recorder of Liverpool				
Recorder of Manchester				
Senior Circuit Judge, Newington Causeway				
Recorder of Belfast (Northern Ireland)				
President of the Lands Tribunal (Northern Ireland)				
Chief Social Security Commission (Northern Ireland)				
Circuit Judge				
Chief Metropolitan Magistrate				
Member, Lands Tribunal (England, Wales and Scotland)				
Social Security Commissioner (England and Wales and Scotland)				
Judge Advocate General				
Sheriffs A and B (Scotland)				
County Court Judge (Northern Ireland)	31,000	31,930	33,000	466
Master of the Court of Protection				
Senior and Chief Masters and Registrars of the Supreme Court				
Registrar of Criminal Appeals				
President, Industrial Tribunal (Northern Ireland)				
Member, Lands Tribunal (Northern Ireland)				
Social Security Commission (Northern Ireland)				
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland)				
Chairman, Foreign Compensation Commission	29,000	29,870	31,000	19
Vice-Judge Advocate General				
Masters and Registrars of the Supreme Court				
Metropolitan Magistrate				
Chairmen, Industrial Tribunals (England and Wales and Scotland)				
Provincial Stipendiary Magistrate				
Resident Magistrate (Northern Ireland)	26,750	27,553	28,500	367
Chairman, Industrial Tribunal (Northern Ireland)				
Master, Supreme Court (Northern Ireland)				
County Court Registrars and District Registrars of the High Court				

Extract from Hansard Vol 58 No 141. Part II Col 383

13/4/83

PRIME MINISTER**Public Servants (Pensions)**

Mr. Sims asked the Prime Minister what measures the Government propose to take in respect of pensions of certain former public servants as a result of the Government's decision following the Top Salaries Review Body recommendations for 1983-84.

The Prime Minister: In 1983 the Top Salaries Review Body recommended new rates of salary for the judiciary, senior officers of the armed forces and members of the higher Civil Service, to come into effect on 1 April 1983. On 21 July 1983 I announced that the Government had decided to increase the pay of those concerned in two stages, from 1 August 1983 and from 1 January 1984. The pensions of those concerned are based upon salary on or in the period immediately before the date of retirement and therefore those who retired between 1 April and 31 July receive no benefit to their pensions. It has been represented to the Government that, having regard to past experience and the date on which decisions on pay were announced, those concerned might reasonably have expected their pensions to reflect an increase from 1 April 1983. After careful consideration the Government have decided that, in view of the uncertainty and expectations that may have been created, it would be fair for the pensions of those in question to be calculated as if the increases which came into effect on 1 August 1983 has been implemented from 1 April 1983. This is to be regarded, however, as an exception to the principle that pension benefits of public servants are based on rates of salaries payable. It is the Government's intention that, if in future it is necessary to delay or stage the implementation of Review Body salary recommendations, this principle will be applied, and the pensions of retiring public servants in the group concerned will be calculated on the basis of rate of salary payable at or in the period before the date of retirement and not on notional or deemed rates of salary which were not in payment on that date. I propose in future, when announcing the Government's decisions on the salary recommendations of Review Bodies, to make clear in any cases of doubt how the pensions of those concerned will be affected.

Note for file.

TSRB etc Reports

Thursday 7 June

C. 1100 hrs : HMSO delivers embargoed copies to the Vote Office (MPs) and the Printed Paper Office (Lords). Copies also delivered at same time to our Press office and to HMSO bookshop in Holborn, and OME.

1530 hrs : I lay the command papers and the copies are then released.

Numbers being released at 1530 on 7 June :

Vote Office	200 ✓
Printed Paper Office	50 ✓
No 10 Press Office	200 ✓
HMSO Holborn	300 ✓
OME	55

0103

2

→ DHSS 250 of N's PAM's DP's
 → MOD 35 of AF
 → 10 of TSRB
 HMT 6 of each
 → LCs 12 of TSRB
 Land Game 3 of TSRB

{	TSRB	1,750	/
	Nurses	4,000	/
	PAM's	3,000	/
	AF	5,500	/
	DD	4,500	/

Doug Mabbott	233	3505	
Chris Wright	405	5944	x 377

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 Denny of West
SWI

Ref A084/1642

PRIME MINISTER

Pay Review Body Reports 1984

(C(84) 15)

BACKGROUND

My note (C(84) 15) sets out the proposals for handling the 1984 Pay Review Body Reports agreed at your meeting on 21 May attended by the Lord Chancellor, the Chancellor of the Exchequer and the Secretaries of State for Defence, for Social Services and for Employment. Briefly they are:

- (a) that the two Reports of the Nurses Review Body (recommending an increase of 7.5 per cent for nurses and midwives and an increase of 7.8 per cent for professions allied to medicine) should be implemented in full from 1 April 1984;
- (b) that the increases recommended in the other three Reports (of the Doctors and Dentists Review Body, the Armed Forces Pay Review Body, and the Top Salaries Review Body) should be implemented in two instalments, with 3 per cent from 1 April 1984 and the balance from 1 November 1984, thus reducing the effective percentage increases over 12 months to 4.63 for doctors and dentists, 4.92 for the armed forces and 4.46 for the top salary groups.

MAIN ISSUES

2. The main issues are:

- (i) whether the recommendations of the Nurses Review Body should be implemented in full;
- (ii) whether the effective increases for the groups covered by the other three Review Bodies should be reduced to the extent and in the manner proposed;
- (iii) how the extra costs falling on the National Health Service (NHS) should be met;
- (iv) the timing and content of the draft Written Answer in the Annex to C(84) 15.

Nurses Review Body (NRB)

Flag A

3. The increases recommended in the two NRB Reports are well in excess of the level of settlements reached in the pay round so far and of the latest offers in some major public sector negotiations (see Annex to this brief). This will in particular complicate the negotiations with the English and Welsh teachers and with the non-industrial Civil Service. It will also make it more difficult to reach a settlement for the non-Review Body groups in the NHS at a level no higher than 4.5 per cent. The cost of meeting these recommendations in full is high (about £250 million) because of the large numbers involved (some 600,000). On the other hand there is the major political argument that the Government undertook several years ago to institute new pay arrangements for the nurses, that the NRB was set up in the aftermath of the 1982 dispute and that rejecting the NRB's first round of recommendations would seriously undermine confidence in the new arrangements.

Other Review Bodies

4. The main arguments for handling the other Review Body Reports on the lines proposed in C(84) 15 are as follows. The effective increase over 12 months would be brought within the range of the main public sector settlements and offers so far. In relation to the non-industrial Civil Service the effective increase for the top salary groups (4.46 per cent) is below the overall offer of 4.5 per cent and considerably below the 5 per cent increase offered to those who (like the top salary groups) receive no increments. The method used for reducing the effective increase has two advantages:

- (a) by allowing the recommended rates to be paid in full from 1 November 1984 it preserves the position that the Government looks to the Review Bodies for advice on the appropriate salary levels for these groups;
- (b) by allowing some increase (3 per cent) to be paid from 1 April 1984 the pension anomalies affecting those retiring between 1 April and 1 November will be much reduced.

Costs

5. The increases proposed in C(84) 15 for the armed forces and top salary groups can be absorbed within departmental programmes, although there might need to be some slight easement for the Lord Chancellor's Department. There is, however, a major additional cost for the Health Departments. It is fair to recall that, when the 3 per cent pay factor was fixed, it was tacitly acknowledged that the pay increase for the NHS groups was unlikely to be kept to that level, especially in the light of the fact that the NRB would be reporting for the first time. The size of the 1984-85 Reserve (£2.75 billion) had some regard to this potential difficulty.

6. As paragraph 14 of C(84) 15 explains, the Secretary of State for Social Services and the Chief Secretary, Treasury, have agreed that the Health Authorities should contribute £57 million to the excess cost from efficiency savings. Although this is subject to the concurrence of the other Health Ministers (the Secretaries of State for Northern Ireland, for Scotland and for Wales), who will have to contribute their shares to the £57 million, there is no reason to think that any of them will object.

7. On the assumption that the pay increase for the non-Review Body groups in the NHS is unlikely to be less than 4.5 per cent, this leaves some £300 million to be found from the Reserve. You have suggested that there might be an increase in the NHS component of the National Insurance Contribution to recover some or all of the excess cost. The Secretary of State for Social Services and Treasury Ministers are still considering this proposal, but without enthusiasm. It should be borne in mind that an increase in the National Insurance Contribution (unlike for example an increase in prescription charges) does not reduce public expenditure but is an increase in taxation. It would not reduce the charge to the Reserve. Whether it would accord with the Government's general fiscal strategy to raise the money in this particular way would require careful consideration. Primary legislation could also be required. There is no need for the Cabinet to take a decision on the contribution issue now, but it has a bearing on what is said about costs in the Written Answer and in dealing with subsequent press enquiries.



Draft Written Answer

8. It is hoped that the Cabinet will agree that the announcement should be made this Thursday afternoon to avoid further press speculation. On the terms of the draft Answer there are two points which need to be considered carefully:

- (i) the absence of any explicit justification of the preferential treatment given to the NRB's recommendations;
- (ii) what is to be said about the excess costs falling on the NHS (see the words in square brackets at the end of the penultimate paragraph).

9. On (i) the draft Answer explains that the increases recommended by the Review Bodies other than the NRB are not being implemented in full from 1 April because of the overall cost and the clear need for restraint in public expenditure. It does not explain why the NRB recommendations are exempt from these considerations. All Departments are, however, agreed that any attempt at an explicit justification would do more harm than good. There is a reminder in the first paragraph of the draft Answer that these are the first reports from the NRB and, although this is not prayed in aid as an explicit justification (which might be taken as a threat that next year's Reports may be treated less favourably) commentators will no doubt pick this point up. The inference will be drawn that the Government is prepared to regard the nurses as a special case, this year at least, and there is probably no harm in leaving it to commentators to suggest why this should be.

10. On (ii) the last sentence of the penultimate paragraph of the draft Answer originally ended with the words: "... and the balance will be charged to the Reserve". You suggested that these words should be deleted and an additional final sentence substituted: "Further consideration is being given to how the rest will be financed". The Secretary of State for Social Services and Treasury Ministers are likely to press for the earlier version for the following reasons:



- (a) To say that further consideration is being given to how the rest will be financed sounds mysterious and will give rise to awkward questions in the press briefing. For example, are Health Ministers being expected to find additional offsetting savings from somewhere else? And it would be undesirable to encourage speculation that the National Insurance Contribution might be increased when Ministers have not yet decided whether this would be a good idea.
- (b) Even if the National Insurance Contribution were to be increased the balance of excess costs after efficiency savings would still, as explained in paragraph 7 above, have to be charged to the Reserve.
- (c) Although it would be possible to end the paragraph at the words: "... existing provision", and leave it to be inferred that the balance will be charged to the Reserve, both the Treasury and the DHSS would prefer this to be made clear in the draft Answer, to avoid the impression that the Government wishes to conceal the call on the Reserve.
11. If you accept these arguments, the final sentence of the penultimate paragraph would read:

"In the case of the NHS groups, Health Authorities will be expected to find from efficiency savings part of the cost in excess of existing provision and the balance will be charged to the Reserve".

HANDLING

12. You may wish to open the discussion yourself by explaining why you think that the NRB recommendations should be accepted and the other recommendations reduced in the manner proposed. The other main contributors are likely to be the Chancellor of the Exchequer and the Secretaries of State for Defence and for Social Services. The Secretary of State for Education and Science may comment on the implications for the teachers' negotiations. The Lord Chancellor should be given an opportunity to speak on the implications for salaries of the judiciary.

SECRET



CONCLUSIONS

13. You will wish to reach conclusions on the following points:

(i) whether, as proposed in C(84) 15:

the recommendations of the two Reports of the NRB should be implemented in full from 1 April 1984; the other Review Body groups should receive 3 per cent from 1 April 1984 and the balance of the recommended increases from 1 November 1984;

(ii) whether the Health Authorities should find £57 million of the excess costs from efficiency savings;

(iii) whether an announcement should be made on the afternoon of Thursday 7 June on the lines of the draft Written Answer in the Annex to C(84) 15;

(iv) what words should be used about the balance of excess costs at the end of the penultimate paragraph of the draft Written Answer.

RTA

ROBERT ARMSTRONG

6 June 1984

SECRET

PAY ROUND 1983-84

	per cent
<u>Settlements already reached</u>	
Private sector as a whole	5.5
Public trading sector	
Gas manuals	4.3
Electricity manuals	4.6
British Rail	4.98
Overall	5.2
Public services	
Local authority manuals	4.5
Scottish teachers	4.5
Overall	5.0
<u>Offers made</u>	
Miners	5.2 (on basic rates)
Water supply manuals	4.9
British Telecom	4.5
Post Office	4.9
English and Welsh teachers	4.5
Non-industrial civil service	4.5

file

BM

SA



10 DOWNING STREET

From the Private Secretary

MR. GREGSON
CABINET OFFICE

PAY REVIEW BODY REPORTS 1984

The Prime Minister has seen the draft Cabinet Paper and the draft announcement attached to your minute of 1 June. She is content for the Paper to be circulated on Tuesday morning. She has, however, suggested some drafting changes to the Answer. In the second paragraph, line one add "... Health Visitors which is the first time the Review Body procedure has applied to these groups, recommends" Paragraph three, line six "... overall cost and the clear need" End of penultimate paragraph to read "... in excess of existing provision. Further consideration is being given on how the rest will be financed."

The Prime Minister has agreed that a PQ should be put down on Wednesday evening. No. 10 Parliamentary Section will undertake this. She has also agreed that arrangements should be made, between the Cabinet decision and the announcement, for Sir Robert Armstrong to inform Lord Plowden of the Government's recommendations, and for MOD and DHSS to inform their respective Chairmen.

I am sending a copy of this minute to Mr. Hatfield in Sir Robert Armstrong's office.

Andrew Turnbull
4 June 1984



MINISTER OF STATE, PRIVY COUNCIL OFFICE

Prime Minister (4) AW

Lord Gowrie concludes
that the Armed Forces scheme
is not of much
relevance to the Civil Service.

PRIME MINISTER

DWS
13/6

EARLY RETIREMENT: ARMED FORCES MODEL

When we discussed public service pay on 3 May Michel Heseltine suggested that we should examine the possible relevance to the Civil Service of the armed forces approach to early retirement which he described as "up or out".

... My officials in consultation with officials from the Treasury and the Ministry of Defence have prepared the attached note. The salient points are:-

- (a) The civil and defence services have very differing requirements for staff. A civil servant will be doing much the same sort of work throughout his full career and irrespective of whether he is promoted or not can be every bit as effective - and may well be considerably more effective - at 60 as at 25. The armed forces on the other hand need two quite distinct groups of people: a large number of fit and able youngsters who can fly aeroplanes, command platoons or serve as deck officers in the Navy - and who for all practical purposes become too old at 40 for these tasks; and a much smaller number of older people who take on the tasks of higher command, staff work, administration and so on. These two phases of a military career are very different and require different qualities.
- (b) The Civil Service is therefore able to organise its retirement procedures in the expectation that its staff will be able to follow a full career to 60 and in some grades to 65. The armed forces on the other hand need mechanisms which enable them to get rid, honourably, of those officers who cannot make the required career change at 40. Among other means for coping with this problem (including for example short-service commissions) the armed forces operate a system whereby they may compulsorily retire officers aged about 38-40 if they have not achieved certain target ranks by that date. By no means all who do not achieve the target are retired, but management has the option. This is in fact the only point in the career of an officer in the armed forces where

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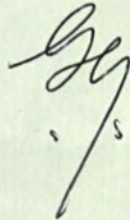
"up or out" operates. And the target ranks are not high - they equate roughly to the grade of HEO in the Civil Service. Any officers who leave under these arrangements are paid an immediate pension of about 30 per cent of their final salary plus a lump sum of three-times pension.

- (c) Once an officer in the armed forces has passed the mid-career break-point he is guaranteed a full career to age 55 (which is the common retiring age of all except the most senior officers). On retirement then he receives immediate payment of a full (normally about one half of final salary) pension. In addition however the armed forces in effect give officers in their 40s and early 50s the option of retiring at will on immediate payment of the accrued pension they have earned at the date of retirement. By contrast the Civil Service is very sparing in allowing staff below 60 to retire early with immediate pension. This can and does happen but the number allowed to go on these terms is small and early retirement is only permitted when there is a clear and specific management advantage to justify the cost.
- (d) The armed forces are able to operate the "up or out" option at around 40 because the prospect of this is clearly built into the terms and conditions of service of those who enter the armed forces. No such provision is built into the terms on which we recruit civil servants and we can compulsorily retire them early only if we do not transgress the "unfair dismissal" provision of general employment legislation. In other words we can compulsorily retire staff only if we are prepared to defend our action in open court.

My Department has nearly concluded a general review of early retirement policy and the issues will come to us for decision soon. I think it unlikely that we will see advantage in importing significant features from the armed forces pension scheme into the Civil Service. The cost could be very high and not easily defensible and the management gain would be small. I think that the problem we face in the Civil Service is likely to be best dealt with by further development of the special early retirement measures. I doubt whether complex technical changes in our retirement policy - even if we could agree them in time - would have much presentational value when we commend our decision on the Review Body Reports to Parliament and the public.

CONFIDENTIAL

I am copying this minute and enclosures to the Lord President, the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Defence, Social Services and Employment, and Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to be 'Gowrie', with a small 's' written below it.

LORD GOWRIE

4 June 1984

CONFIDENTIAL

EARLY RETIREMENT : ARMED FORCES MODEL

Note by Officials

Background

In discussion of possible managerial changes which might be introduced for TSRB grades in the Civil Service, Ministers instructed officials to examine the approach of "up and out" adopted by the Armed Forces. This note examines the nature and purpose of the Armed Forces arrangements and their relevance to the circumstances of the Civil Service.

Retirement Arrangements in the Armed Forces

2. Since the Armed Forces require a preponderance of younger people, recruitment and retirement arrangements are designed to offer the majority a short career with early access to pension benefits. This is achieved by means of short service commissions and by the use of target ranks which must be attained by a given age or length of service if the officer is to be allowed to serve a full career. Normal retirement age for career officers is 55; some senior officers and those in certain specialist disciplines (including in this case some other ranks) can serve up to age 60. The number of officers serving between 60 and 65 is normally very few and is restricted to those in specialist areas.

3. Because of the special nature of careers in the Armed Forces the pension arrangements differ significantly from other public service pension schemes, notably in the much earlier ages at which pensions are available and the faster accrual rate. Salient features are:-

a) the Armed Forces Pension Scheme provides for officers' pensions to be put into immediate payment after 16 years service from age 21. RAF officers serving on pensionable terms who have not obtained the rank of Squadron Leader by age 38 or 16 years reckonable service (whichever is the later) and who cannot be offered further service as a Flight Lieutenant, are required to retire at that point. However, because of the need to retain experience most are currently assimilated to a full career to age 55. Army officers on Regular Commissions who have not attained the rank of Major on achieving 16 years reckonable service - which is rare - are normally retired at that point. In the RN promotion to Lieutenant Commander - the rank equating to Squadron Leader and Major (these three Service ranks broadly equate to the HEO grade in the Civil Service) - is on the basis of time served and there is no compulsory retirement of officers at 16 years reckonable service. The benefits available to a Major (and equivalent ranks in the other two Services) on attaining 16 years reckonable service, are an annual pension of £4140 and a lump sum of £12,420. The pension is index linked from age 55;

b) in general, officers who continue their service beyond 16 years reckonable service may serve to age 55 (in the RN to age 50 for Lieutenant Commander and age 55 for Commander, and for up to 9 years as a Captain), but may choose to retire with immediate payment of pension benefits at ages below that, and this is normally approved. Indeed, all three Services rely

on voluntary retirement to reduce the number of older serving officers. A full pension of half pensionable pay is earned after 34 years reckonable service - that is age 55 if entry was on or before age 21;

c) of the most senior ranks - Major General and equivalent and above who total 158 for all three Services - 23% are currently aged 55 or over. Service is normally given beyond age 60 in a few specialist disciplines only. At present there are 5 officers at Major General and equivalent and above who are aged over 60. (There are also 15 officers at Colonel and equivalent and 2 officers at Major equivalent who are aged over 60).

Existing Civil Service Arrangements

4. The work of Government needs people with long experience who may themselves be innovators as well as younger people. The Civil Service therefore requires a structure which will retain and keep well motivated good people at the middle management levels who will not get to the top. The retirement and superannuation arrangements therefore reflect the fact that for the most part staff are recruited for and are needed for a full career. A full pension accrues only after 40 years service and there is no general provision for a pension to be paid before the minimum retirement age of 60. In general, retirement at senior levels is automatic at this age (which means that those who entered from higher education will often not be able to earn a full pension).

5. There are a number of arrangements whereby staff can be retired before that age. Provided that the requirements of employment protection legislation are complied with, civil servants can be retired prematurely on grounds of redundancy, limited efficiency, for structural reasons, on medical grounds, or on grounds of inefficiency. The first three of these categories count as "retirement in the public interest" and attract enhanced early retirement terms.

6. Since 1981 arrangements known as Flexible Premature Retirement (FPR) have been in operation under which Departments have been able to offer "public interest" terms to selected individuals whose compulsory retirement would not be justified under the law, but who are willing to leave. These arrangements have been used to ease out those whose performance has tailed off or whose early retirement would help Departments to overcome organisational and structural difficulties. This year, the Prime Minister authorised the extended use of these arrangements to enable some 100 additional retirements to take place amongst senior staff in order to make room for additional promotions so as to relieve promotion blockages and to bring on younger talented staff.

7. Early retirement is costly. For example, a Grade 3 officer retiring at age 56 with 32 years service would receive additional payments in respect of compensation and early payment of annual pension of some £65,000-£70,000 in total, in addition to the early payment of the lump sum superannuation benefit. Both the existing FPR arrangements, including the special scheme, and the current review of early retirement arrangements, therefore assume that any more flexible arrangements in the future would operate at management discretion.

Relevance of Armed Forces Arrangements to the Civil Service

8. The Services needs as jet pilots, deck officers or platoon commanders, young people of high ability who quickly become too old for those jobs but for

whom there is no need as commanders of higher formation. The system is one which is designed for people who seek short term physical challenge and adventure, prior to a career elsewhere. The severance and retirement arrangements therefore prune the Armed Forces of large numbers of ranks which would equate to the Civil Service middle management grades of HEO-Principal, whom the Services do not need for a full career. Those who reach a rank corresponding to those middle management levels by the age of about 40 then have the assurance of a career at least until age 55 though they can leave at their own initiative with immediate payment of pension at any stage before that.

9. The staffing needs of the Civil Service are quite different to those of the Armed Forces. It needs staff at lower and middle levels well beyond the age at which they would cease to be of use in the Armed Services, and the career structure has to reflect this requirement. Applying the Armed Forces approach in the Civil Service would have the perverse effect of removing a large part of the middle management back bone of the Service without affecting the age structure of the senior Civil Service in any way.

10. The automatic target rank break point after 16-18 years service does not therefore seem to have any direct relevance to the circumstances and needs of the Civil Service. Any such arrangements, involving immediate payment of pension on a wide scale to 40 year olds would be extremely expensive and open to public criticism. Apart from this consideration, already the Civil Service is experiencing difficulty in recruiting sufficient talent on a prospectus of a full career, as evidenced by the shortfalls in recent years in recruitment in the Administration Trainee competition, a number of specialist graduate recruitment schemes, as well as this year's Direct Entry Principal competition, whose outcome was particularly disappointing. If we were to seek high grade people for limited period appointments akin to those of the Armed Forces, it seems likely that that could only be done by offering very high pay or experience which could be readily marketed elsewhere (for example expensive training for a professional qualification) or both. The widespread use of the Armed Forces model of limited term engagements has therefore been ruled out in the past as undesirable and impractical, though there may be some scope for greater use of arrangements akin to short service commissions and this is under examination in the context of promotion blockages.

11. The feature of the Armed Forces arrangements which could have more relevance to the Civil Service is that for more customary retirement at senior levels at age 55.

12. There is already provision to enable this in the Civil Service as indicated in paragraph 6 above. Because of the legal impediments to compulsory retirement except where such dismissal can be shown to be fair, early retirement at management instigation generally needs to be by persuasion and therefore relies on the relative generosity of the terms. Applying the Armed Forces model to the Civil Service would presumably involve the more automatic expectation of retirement at age 55 for those staff in senior grades not expected to progress further. Variants could be envisaged whereby retirement might occur after a set period in the grade. But however devised the legal constraint referred to above would rule out any immediate change in the expectations of present incumbents. A new regime could for that reason only be applied to staff on promotion to the grades covered by it.

13. Whether a mechanistic approach of this kind would offer longer term advantages over the present more flexible approach to retirement in the public interest is questionable. Certainly there would be a number of disadvantages:-

- a) if management had the right to retire staff before normal retirement age for reasons other than those which would constitute legal grounds for dismissal, it would be difficult to avoid a corresponding right for individuals to retire at their own option. There would be a risk that the Service would in this way lose numbers of staff it would wish to retain;
- b) staff who preferred the assurance of full time employment to age 60 (which is already low compared with what is normal in business and the professions) might decline promotion or seek jobs elsewhere. It might be necessary to offer substantial inducements, in the form of significantly higher pay to compensate for diminished career expectations;
- c) fairly automatic retirement on public interest terms at age 55 would be expensive. There are currently some 4,300 staff at Grade 5 level and above, of some some 1,300 are 55 and over. If 1,000 of these retired now, the immediate public expenditure cost could amount to some £60 million, of which some £40 million would represent additional expenditure (the remainder representing the early payment of lump sum superannuation benefits). While as explained in paragraph 12 above this scale of retirement could not occur on a compulsory basis in the short term, it indicates the size of the potential commitment;
- d) if retirement became virtually compulsory at age 55, ie 10 years before the statutory retirement age, there would almost certainly need to be a radical change in, and perhaps the abandonment of the Business Appointment Rules.

Conclusions

14. There are radical differences between the retirement arrangements of the Armed Forces and those of the Civil Service, reflecting the needs of the Armed Forces for a predominantly young population in the more junior ranks which equate to Civil Service middle management. The nature of Civil Service work does not produce a similar requirement; indeed the accumulation of maturity and experience in its middle management is a major strength. The automatic target rank break point after 16-18 years service does not therefore seem to have any direct relevance to the staffing needs of the Civil Service.

15. Of closer relevance may be the Armed Forces model of more customary, retirement at senior levels at age 55. This could not be practised on a compulsory basis in the short term because of the requirements of employment protection legislation, but this need not rule out moves towards it in the longer term. There would be significant public expenditure implications and could be an unwanted drain of talent at senior levels. This in turn might require improvement in the terms and conditions of the grades affected. The Business Appointment Rules would also be called into question.

16. The Cabinet Office is currently completing a fundamental review of all early retirement arrangements in the Civil Service, with the aim of devising a coherent package of measures to meet the current and prospective needs of the Service over the next 10-20 years while offering value for money. The results of this review will be reported to Ministers shortly. It has proceeded on the assumption that these needs are likely to be best achieved by flexible arrangements which operate at the discretion of management (albeit in many cases with the consent of the individual), rather than by way of a more mechanistic system in which early retirement could become automatic at the

instigation of either party. Ministers may, however, wish to consider that choice in the light of the forthcoming report of the review.

Cabinet Office
(Management and Personnel Office)
Great George Street
LONDON SW1P 3AL



Handwritten initials and a red number '5' in the top right corner.

10 DOWNING STREET

From the Private Secretary

4 June 1984

This letter confirms the arrangements we discussed on the 'phone for the distribution of the Review Body reports. We agreed that, until you had received the go ahead from me, all copies would be retained under your control. You should work on the assumption that the most likely day for the announcement of the Government's response and for publication is Thursday 7 June though it could be later than this. On that day I expect to be in a position around 11.30 a.m. to authorise you to begin distribution of copies under embargo.

Once you have heard from me could you send under embargo:-

- 200 copies of all 5 reports to the Vote Office
- 50 copies of all 5 reports to the Printed Paper Office
- 200 copies of all 5 reports to the No.10 Press Office

In addition could you send the copies required by Departments to me at No.10 packaged in the following way:-

- DHSS 250 copies of the reports on Nurses, Professions Allied to Medicine, Doctors and Dentists
- MOD 35 copies of AFPRB
10 copies of TSRB
- HMT 6 copies of all 5 reports
- LCO 12 copies of TSRB
- Late amended*
Lord Gorman 3 copies of TSRB

/I will

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NR.

I will arrange for onward transmission to these Departments.

You will be making arrangements to send, once you have received the go ahead, embargoed copies to HMSO book-shops.

We agreed that 55 copies of all 5 reports could be sent immediately to Mr. Ron Williams at the Office of Manpower Economics.

I understand that the total printed runs will be:-

TSRB	1750
Nurses	4000
PAMs	3000
AFPRB	5500
DDRB	4500

If you have any further queries do not hesitate to contact me.

I am sending a copy of this letter to Peter Gregson in the Cabinet Office.

Andrew Turnbull

D. Mabbutt, Esq.,
HMSO Press
Rm 156
FCO
D.S. West.

MFJAAQ

SECRET

PRIME MINISTER ^①

See comments 48

REVIEW BODY REPORTS

The Cabinet Office have prepared a paper on the Review Body Reports, recommending to Cabinet the outcome of the discussions in the Group of Ministers. Also attached is the text of a draft written answer announcing the outcome. My guess is that the main opposition to the recommendations will come from Sir Keith Joseph who will argue that teachers compare themselves with civil servants and nurses and that a generous settlement for the latter will undermine his negotiations.

1. Agree the paper and draft answer and that they be circulated on Tuesday?

On handling, it is suggested that a PQ be put down on Wednesday night for answer in written form around 3.30 p.m. on Thursday, 7 June, after the Cabinet meeting. The Review Body Reports, which are being printed under our control, would be released at the same time (the arrangements allow the release to be held up if Cabinet decides that it needs to take a second look at the issue).

2. Agree a PQ be put down on Wednesday evening to keep open the option of an announcement after Cabinet?
3. To note that arrangements are being made to inform the Chairmen of the Review Bodies between the outcome of the Cabinet discussion and the announcement.

AS

1 June 1984



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SECRET AND PERSONAL

P.01298

MR TURNBULL

PAY REVIEW BODY REPORTS 1984

I attach the draft paper for Sir Robert Armstrong to circulate to the Cabinet. This takes account of comments from the Permanent Secretaries concerned.

2. I should be grateful if you would confirm that the Prime Minister is content for the paper to be circulated on Tuesday morning, 5 June.

3. As you probably know the Treasury will be responsible for briefing and press enquiries of a general nature about the Review Bodies and more specifically about the TSRB. MoD will lead on the AFPRB and DHSS on the DDRB and NRB.

4. So far as the handling of Chairmen is concerned, Sir Robert Armstrong will endeavour to see Lord Plowden between the end of Cabinet and 3.30pm on Thursday. You are arranging with the MoD and DHSS for them to communicate with their respective Chairmen between the decision and the announcement.

P L GREGSON

1 June 1984

RAFT

CABINET

PAY REVIEW BODY REPORTS 1984

Note by the Secretary of the Cabinet

Decisions are required on the following pay review body reports:

- i. Armed Forces Pay Review Body (AFPRB);
- ii. Review Body for Nursing Staff, Midwives, Health Visitors and professions allied to medicine (NRB):
 - a. on nursing staff, midwives and health visitors;
 - b. on professions allied to medicine;
- iii. Doctors and Dentists Review Body (DDRB);
- iv. Top Salaries Review Body (TSRB) on higher civil service, senior service officers, and the judiciary.

Their recommendations in all cases relate to 1 April 1984.

Policy and recent practice in relation to review body reports

2. There is a long-standing commitment (re-affirmed when the Nurses Review Body was set up in July last year) that the Government will implement the recommendations of Review Bodies "unless there are clear and compelling reasons for not doing so". The AFPRB's recommendations have never been rejected by the Government although their implementation was staged in 1978. The DDRB's recommendations were abated in 1981 and 1982 but in 1983 the abatement was restored with effect from 1st January 1984. The TSRB's recommendations have never been accepted in full in recent years but their 1983 recommendations were implemented in two stages, from 1 August 1983 and from 1 January 1984.

AFPRB recommendations for 1984

3. The AFPRB estimate that the net cost of their recommendations will add 7.6 per cent (£198.1 million) to the estimated pay bill for 1984-85. The number affected is 321,000.

4. The increases for selected ranks are:

	<u>now being paid</u>	£ <u>proposed</u>
Brigadier and equivalent	25,001	27,101
Captain (Army) and equivalent	10,453-12,144	11,330-13,169
Sergeant and equivalent	7,895- 9,439	8,472-10,184
Private (I) and equivalent	5,552- 6,976	5,928- 7,490

The report also makes detailed proposals on charges and forms of special pay which will be considered separately.

NRB recommendations for nursing staff, midwives and health visitors 1984

5. The NRB estimate that the cost of their recommendations will add 7.5 per cent (£228 million) to the estimated 1984-85 pay bill for nursing staff etc. The number affected is some 550,000 (or 484,000 in "whole-time equivalent" terms).

6. The increases for selected grades are:

	<u>now being paid</u>	£ <u>proposed</u>
Regional Nursing Officer (R1)	18,973-24,292	20,491-26,235
District Nursing Officer (England) (DHA1(T))	17,594-23,039	19,002-24,882
Nursing Sister II	6,321- 8,103	6,827- 8,751
Staff Nurse (SRN)	4,998-6,094	5,398- 6,582
Nursing Auxiliary/Assistant (aged 18 or over)	3,530- 4,512	3,777- 4,828

NRB recommendations for professions allied to medicine 1984

7. The NRB estimate that the cost of their recommendations will add 7.8 per cent (£17.9 million) to the estimated 1984-85 pay bill

for professions allied to medicine (physiotherapists, radiographers, chiropodists, dietitians etc). The number affected is 44,000 (or 33,500 in "whole-time equivalent" terms).

8. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
District I Physiotherapist etc	12,561-13,067	13,566-14,112
Basic grade	5,367- 6,074	5,796- 6,560

DDRB recommendations for 1984

9. The DDRB estimate that their recommendations will add 6.9 per cent (£118 million) to the annual pay bill for doctors and dentists. The number affected is 94,950.

10. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
Consultant	18,900-24,260	20,200-26,080
General medical practitioner (intended average net remuneration)	20,670	22,070
General dental practitioner (target average net income)	17,890	19,100
Registrar	9,490-11,500	10,130-12,270

In addition the DDRB has recommended substantial increases in payments to family doctors in respect of practice expenses. This is expected to cost around £60 million in 1984-85.

TSRB recommendations for 1984

11. The TSRB estimate that their recommendations will involve increases of just under 6½ per cent. The numbers affected are: 682 higher civil servants of the rank of Under Secretary and above; 215 senior officers in the armed forces of the rank of Major General and equivalent, and above; and 1017 members of the judiciary.

12. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
<u>Higher civil service/senior officers in the armed forces</u>		
Permanent Secretary/General and equivalent	42,750	45,500
Deputy Secretary/Lieutenant General and equivalent	34,250	36,500
Under Secretary/Major General and equivalent	27,750	29,500
<u>Judiciary</u>		
Lord Chief Justice	60,000	64,000
High Court Judge	48,000	51,250
Circuit Judge	31,000	33,000

Proposals for handling the reports

13. Ministers directly concerned meeting under the Prime Minister's chairmanship have considered these recommendations. Their proposals to the Cabinet are as follows:

- i. The two reports of the NRB - that relating to nurses and midwives (recommended increase 7.5 per cent) and that relating to professions allied to medicine (recommended increase 7.8 per cent) - should be implemented in full from 1 April 1984. Although the increases recommended are large in relation to settlements elsewhere in the economy (running at around 5.5-6 per cent in the private sector and rather less in the public services sector), Ministers considered that it would be exceptionally difficult to reject the recommendations for these particular groups, who command a wide measure of public sympathy, in the first year of operation of a new review body set up in the aftermath of the 1982 National Health Service dispute. It should however be made clear to the staff concerned that the recommendations were

accepted on the basis that staff would cooperate with management in securing improved productivity.

ii. In the case of all the remaining review body reports (DDRB: recommended increase 6.9 per cent; AFPRB: recommended increase 7.6 per cent; and TSRB: recommended increase just under 6.5 per cent) Ministers considered that acceptance of the recommendations in full would have unacceptable repercussions on other outstanding public sector pay negotiations and would also have unacceptable public expenditure consequences taken overall. Outright rejection would however be difficult to justify, and could call in question the continuation of the review body arrangements. The doctors and dentists would be likely to object strongly to significant discrimination against them in favour of the nurses and professions allied to medicine. The Government might also attract strong criticism if it appeared to be abandoning the promise referred to (albeit not explicitly renewed) in the 1983 Manifesto "to give proper pay and conditions" to the armed forces. Ministers therefore concluded that the right course was to increase pay by 3 per cent from 1 April 1984 with the full recommended rates coming into payment from 1 November 1984. Based on the Review Bodies' figures, it is estimated that this would reduce the effective increase over 12 months from 1 April 1984 to 4.63 per cent for doctors and dentists, 4.92 per cent for the armed forces and 4.46 per cent for the top salary groups. Pensions will be based on the salaries actually in payment in accordance with the principle set out in the Prime Minister's written answer on 13 April 1984 (OR Co1 383).

Costs

14. In the case of the armed forces, the cost of the proposals in paragraph 13 would be met within existing cash limits; the same goes for the top salary groups generally though the Treasury are prepared to look at cases of particular difficulty. For the NHS the Secretary of State for Social Services and the Chief Secretary, Treasury have agreed, subject

to the concurrence of the other health Ministers, that the health authorities should contribute from their efficiency savings £57 million towards the excess over the existing 3 per cent provision. (This would cover both Review Body groups and other staff, assuming settlements of up to 4.5 per cent.) The total charge to the Reserve would be £300 million; the presentation of this is under consideration. The Secretary of State for Social Services and Treasury Ministers will be considering whether there should be an increase in that part of the National Insurance Contribution related to the National Health Service to recover some or all of these increased costs.

Timing and form of announcement

15. The Prime Minister has said in the House that she hopes to be able to make an announcement in all the review body reports "not later than just after the Whitsun recess". The Ministers who met under the Prime Minister's chairmanship therefore recommend that, if the Cabinet are able to reach decisions on 7 June, all the Reports should be published that afternoon and that the Prime Minister should simultaneously announce the Government's decisions on them by Written Answer, as in recent years. A draft Written Answer, in line with the recommendations in paragraph 13 above, is attached in the Annex to this paper.

ISSUES FOR THE CABINET

16. The Cabinet is invited to consider:

- i. the proposals for handling the 1984 pay review body reports set out in paragraph 13 above;
- ii. depending on the decisions reached on those proposals, the draft Written Answer in the Annex for issue on the afternoon of Thursday 7 June.

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

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

? (Which is the first time the review body procedure has appeared in this form?)

Original to make it clear that full report

The report on Nursing Staff, Midwives and Health Visitors recommends new rates of pay which will add 7.5 per cent to the estimated pay bill for 1984-85. In the report on Professions allied to Medicine the equivalent figure is 7.8 per cent. The Government has decided to accept the recommendations in full with effect from 1 April 1984.

The reports of the Doctors and Dentists Review Body, the Armed Forces Pay Review Body and the Top Salaries Review Body on the higher civil service, senior armed forces officers and the judiciary recommend increases which would add 6.9 per cent, 7.6 per cent, and just under 6.5 per cent respectively to the estimated 1984-85 pay bills for the groups concerned. Bearing in mind the overall cost and the clear need for continued restraint in public expenditure, the Government considers that it would not be right to implement the recommendations

in full from 1 April 1984. The increase payable from that date for all groups will be 3 per cent and the recommended rates will be paid from 1 November 1984. Pensions will be based on the salaries actually in payment in accordance with the principle set out in my written answer on 13 April 1984 (OR Col 383). The average increase in pay received by these groups over the twelve months beginning on 1 April 1984, is estimated to be: for doctors and dentists 4.63 per cent; for the armed forces 4.92 per cent; and for the higher civil service, senior armed forces officers and the judiciary 4.46 per cent.

In the case of the armed forces and generally for the top salary groups the costs of these increases will be contained within existing Departmental programmes. In the case of the NHS groups, health authorities will be expected to find from efficiency savings part of the cost in excess of existing provision ^{Further work done in long term} ~~and the balance will be charged to the~~ Reserve. *It is now how to fund the rest.*

The pay rates and scales resulting from these decisions will be promulgated as soon as possible. The Government will be considering separately certain recommendations on points of detail.

SECRET

PRIME MINISTER

PUBLICATION OF PAY REVIEW BODY REPORTS

For a number of years, the practice was for Departments to arrange with HMSO for the printing of the Review Body reports for which they were responsible. Last year you felt that this practice would give access to too many people in departments. Instead, a two-stage process was instituted. The Office of Manpower Economics, who provide the Secretariat for the Review Bodies, supplied the 700 or so copies needed on announcement day for the House and the press by photocopying the reports. These documents were bulky to use and expensive to produce. After announcement day HMSO printed the reports for the general public as Command documents.

This process is inefficient and unnecessary to meet our security requirements. We can cut out the photocopying process while still avoiding the need for wide distribution in departments. HMSO, under No. 10 supervision, can print all the copies required as Command documents under secure conditions in the FCO Press which produces the budget documents. On the announcement day copies would be delivered to No. 10 for release when Cabinet has approved the statement.

Agree this procedure?

Yes
ms

AT

23 May 1984

SECRET

FROM: P L GREGSON CB, DEPUTY SECRETARY

3A



COPY 7 OF 9 COPIES

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~XXXXXXX~~ 233 8339

P.01294

bcc Sir Robert Armstrong
Mr. Turnbull

Sir Peter Middleton KCB
Permanent Secretary
H M Treasury
Parliament Street

22 May 1984

SECRET AND PERSONAL

Dear Peter

HANDLING OF REVIEW BODY REPORTS 1984

I attended the Prime Minister's meeting on 21 May about the handling of the 1984 review body reports and was asked to prepare a draft note by the Secretary of the Cabinet setting out the proposals agreed at that meeting, together with a draft Written Answer. It was envisaged that the note would be circulated on Tuesday 5 June for discussion by the Cabinet on Thursday 7 June, with the Written Answer given later that day.

I should be grateful if you and the other recipients of this letter would arrange for comments on the drafts to be sent to me by lunchtime on Thursday 31 May.

The Treasury, DHSS and Lord Chancellor's Department will want to look particularly at what is said in paragraph 14 of the draft note and the draft Written Answer about costs. I should draw attention particularly to the following points:

- i. I am not sure whether, now that the TSRB recommendations are to be staged, it will be necessary to meet any costs in respect of the judiciary from the Reserve.
- ii. Although the Secretary of State for Social Services' promise that the health authorities will find efficiency savings of £54 million still stands, I am not sure how much should be about this in the draft Written Answer.

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iii. I have made the assumption that a reference to the possibility of increasing the NHS contribution should be made tentatively in the draft note but not at all in the draft Written Answer. The Treasury and DHSS will need to consider whether this is right.

iv. Hitherto there has been an embargo on consultation by the Treasury and DHSS with those concerned with finance in the other health departments. This consultation should now take place on a strict "need to know" basis so that the other health Ministers can be briefed by their departments about the cost implications for them before the Cabinet discussion on 7 June.

v. I am not sure how much the DHSS will want the draft Written Answer to say about improved productivity and whether, since the NRB and DDRB are being treated differently, the same should be said in both contexts.

I am sending copies of this letter and the attachment to Ken Stowe, Clive Whitmore, Derek Oulton and Peter Le Cheminant.

Yours ever

Peter

P L GREGSON

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CABINET

PAY REVIEW BODY REPORTS 1984

Note by the Secretary of the Cabinet

Decisions are required on the following pay review body reports:

- i. Armed Forces Pay Review Body (AFPRB);
- ii. Review Body for Nursing Staff, Midwives, Health Visitors and professions allied to medicine (NRB):
 - a. on nursing staff, midwives and health visitors;
 - b. on professions allied to medicine;
- iii. Doctors and Dentists Review Body (DDRB);
- iv. Top Salaries Review Body (TSRB) on higher civil service, senior service officers, and the judiciary.

Their recommendations in all cases take effect from 1 April 1984.

Policy and recent practice in relation to review body reports

2. There is a long-standing commitment (re-affirmed when the Nurses Review Body was set up in July last year) that the Government will implement the recommendations of Review Bodies "unless there are clear and compelling reasons for not doing so". The AFPRB's recommendations have never been rejected by the Government although their implementation was staged in 1978. The DDRB's recommendations were abated in 1981 and 1982 but in 1983 the abatement was restored with effect from 1st January 1984. The TSRB's recommendations have never been accepted in full in recent years but their 1983 recommendations were implemented in two stages, from 1 August 1983 and from 1 January 1984.

AFPRB recommendations for 1984

3. The AFPRB estimate that the net cost of their recommendations will add 7.6 per cent (£198.1 million) to the estimated pay bill for 1984-85. The number affected is 321,000.

4. The increases for selected ranks are:

	<u>now being paid</u>	£ <u>proposed</u>
Brigadier and equivalent	25,001	27,101
Captain (Army) and equivalent	10,453-12,144	11,330-13,169
Sergeant and equivalent	7,895- 9,439	8,472-10,184
Private (I) and equivalent	5,552- 6,976	5,928- 7,490

NRB recommendations for nursing staff, midwives and health visitors 1984

5. The NRB estimate that the cost of their recommendations will add 7.5 per cent (£228 million) to the estimated 1984-85 pay bill for nursing staff etc. The number affected is some 550,000 (or 484,000 in "whole-time equivalent" terms).

6. The increases for selected grades are:

	<u>now being paid</u>	£ <u>proposed</u>
Regional Nursing Officer (R1)	18,973-24,292	20,491-26,235
District Nursing Officer (England) (DHA1(T))	17,594-23,039	19,002-24,882
Nursing Sister II	6,321- 8,103	6,827- 8,751
Staff Nurse (SRN)	4,998-6,094	5,398- 6,582
Nursing Auxiliary/Assistant (aged 18 or over)	3,530- 4,512	3,777- 4,828

NRB recommendations for professions allied to medicine 1984

7. The NRB estimate that the cost of their recommendations will add 7.8 per cent (£17.9 million) to the estimated 1984-85 pay bill

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for professions allied to medicine (physiotherapists, radiographers, chiropodists, dietitians etc). The number affected is 44,000 (or 33,500 in "whole-time equivalent" terms).

8. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
District I Physiotherapist etc	12,561-13,067	13,566-14,112
Basic grade	5,367- 6,074	5,796- 6,560

DDRB recommendations for 1984

9. The DDRB estimate that their recommendations will add 6.9 per cent (£118 million) to the annual pay bill for doctors and dentists. The number affected is 94,950.

10. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
Consultant	18,900-24,260	20,200-26,080
General medical practitioner (intended average net remuneration)	20,670	22,070
General dental practitioner (target average net income)	17,890	19,100
Registrar	9,490-11,500	10,130-12,270

TSRB recommendations for 1984

11. The TSRB estimate that their recommendations will involve increases of just under 6½ per cent. The numbers affected are: 682 higher civil servants of the rank of Under Secretary and above, 215 senior officers in the armed forces of the rank of Major General and equivalent, and above; and 1117 members of the judiciary.

12. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
<u>Higher civil service/senior officers in the armed forces</u>		
Permanent Secretary/General and equivalent	42,750	45,500
Deputy Secretary/Lieutenant General and equivalent	34,250	36,500
Under Secretary/Major General and equivalent	27,750	29,500
<u>Judiciary</u>		
Lord Chief Justice	60,000	64,000
High Court Judge	48,000	51,250
Circuit Judge	31,000	33,000

Proposals for handling the reports

13. Ministers directly concerned meeting under the Prime Minister's chairmanship have considered these recommendations. Their proposals to the Cabinet are as follows:

- i. The two reports of the NRB - that relating to nurses and midwives (recommended increase 7.5 per cent) and that relating to professions allied to medicine (recommended increase 7.8 per cent) - should be implemented in full from 1 April 1984. Although the increases recommended are large in relation to settlements elsewhere in the economy (running at around 5 per cent), Ministers considered that it would be exceptionally difficult to reject the recommendations for these particular groups, who command a wide measure of public sympathy, in the first year of operation of a new review body set up in the aftermath of the 1982 National Health Service dispute. It should however be made clear that the recommendations were

accepted on the basis that staff would cooperate with management in securing improved productivity and that the review bodies would be asked to take this into account in their recommendations about remuneration in future years.

ii. In the case of all the remaining review body reports (DDRB: recommended increase 6.9 per cent; AFPRB: recommended increase 7.6 per cent; and TSRB: recommended increase just under 6.5 per cent) Ministers considered that acceptance of the recommendations in full would have unacceptable repercussions on other outstanding public sector pay negotiations. Outright rejection would however be difficult to justify, and could call in question the continuation of the review body arrangements. The doctors and dentists would be likely to object strongly to significant discrimination against them in favour of the nurses and professions allied to medicine. The Government might also attract strong criticism if it appeared to be abandoning the promise referred to in the 1983 Manifesto "to give proper pay and conditions" to the armed forces. Ministers therefore concluded that the right course would be to stage implementation of the recommendations. The first 3 per cent would be payable from 1 April 1984 and the balance (3.9 per cent for doctors and dentists, 4.6 per cent for the armed forces and just under 3.5 per cent for the top salary groups) from 1 November 1984. This would reduce the effective increase over 12 months to 4.63 per cent for doctors and dentists, 4.92 per cent for the armed forces and 4.46 per cent for the top salary groups.

Costs

14. In the case of the armed forces and top salary groups, the cost of the proposals in paragraph 13 would be met within existing cash limits [with the possible exception of some small part of the excess cost arising in respect of the judiciary]. In the case of the NHS groups the Secretary of State for Social Services and the Chief

Secretary, Treasury have agreed, subject to the concurrence of the other health Ministers, that the health authorities should be asked to find £54 million towards the excess over the existing 3 per cent provision from efficiency savings. The remainder, £[] million, would be charged to the Reserve. The Secretary of State for Social Services and Treasury Ministers will be considering whether there should be an increase in that part of the National Insurance Contribution related to the National Health Service to recover some or all of these increased costs.

Timing and form of announcement

15. The Prime Minister has said in the House that she hopes to be able to make an announcement on all the review body reports "not later than just after the Whitsun recess". The Ministers who met under the Prime Minister's chairmanship therefore recommend that, if the Cabinet are able to reach decisions on 7 June, all the Reports should be published that afternoon and that the Prime Minister should simultaneously announce the Government's decisions on them by Written Answer, as in recent years. A draft Written Answer, in line with the recommendations in paragraph 13 above, is attached in the Annex to this paper.

ISSUES FOR THE CABINET

16. The Cabinet is invited to consider:

- i. the proposals for handling the 1984 pay review body reports set out in paragraph 13 above;
- ii. depending on the decisions reached on those proposals, the draft Written Answer in the Annex for issue on the afternoon of Thursday 7 June.

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

A The reports of the Review Body for Nursing Staff, Midwives, Health Visitors and Professions allied to Medicine, the Doctors and Dentists Review Body, the Armed Forces Pay Review Body and the Top Salaries Review Body have been laid before the House today and will be published as Command Papers shortly. Copies are now available in the Vote Office. The Government are grateful to the members of the review bodies for these reports and for the time and care which they have put into their preparation.

The report on Nursing Staff, Midwives and Health Visitors recommends new rates of pay which will add 7.5 per cent to the estimated pay bill for 1984-85. In the report on Professions allied to Medicine the equivalent figure is 7.8 per cent. Bearing in mind that these are the first reports by the new review body on the pay of these groups, the Government has decided to accept the recommendations in full with effect from 1 April 1984. Health authorities will be expected to find [part of] the cost in excess of the cash limit provision from efficiency savings. The review bodies' recommendations are accepted on the basis that [staff will cooperate with management in achieving improved productivity and that progress will be monitored by health authorities and regularly reported to the review bodies who will be asked to take this factor into account in their recommendations about remuneration in future years].

The reports of the Doctors and Dentists Review Body, the Armed Forces Pay Review Body and the Top Salaries Review Body on the higher civil service, senior armed forces officers and the judiciary recommend increases which would add 6.9 per cent, 7.6 per cent, and just under 6.5 per cent respectively to the estimated 1984-85 pay bills for the groups concerned. Bearing in mind the cost and the general level of settlements elsewhere in the economy, the Government considers that it would not be right to implement the recommendations in full from 1 April 1984. The increase payable from that date for all groups will be 3 per cent and the balance of the increases recommended (3.9 per cent for doctors and dentists, 4.6 per cent for the armed forces, and just under 3.5 per cent for the top salary groups) will be paid from 1 November 1984. Pensions will be based on the salaries actually in payment in accordance with the principle set out in my written answer on 13 April 1984 (OR Col 383). Over the twelve months beginning on 1 April 1984, the average salary increase received by these groups will be: for doctors and dentists 4.63 per cent; for the armed forces 4.92 per cent; and for the higher civil service, senior armed forces officers and the judiciary 4.46 per cent.

[In the case of the armed forces and the top salary groups these costs will be contained within the existing public expenditure provision. In the case of the doctors and dentists other than those in the Family Practitioner Services, health authorities will be expected to find part of the cost in excess of the cash limit provision from efficiency savings. As with the other NHS groups the Government will be seeking cooperation in improved efficiency and the Doctors and

Dentists Review Body will be asked to take account of progress in this area in their recommendations about remuneration in future years].

The pay rates and scales resulting from these decisions will be promulgated as soon as possible.



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PRIME MINISTER

Review Body reports and related matters

The agenda for your meeting on Monday 21 May is:

- Flag A
- i. the pay offer for the non-industrial civil service proposed in the Chancellor of the Exchequer's minute of 17 May;
(unless you and the other recipients have already cleared it)
 - ii. the handling of the 1984 Review Body reports in the light of the paper attached to Sir Robert Armstrong's minute of 18 May.

Non-industrial civil service pay

2. The issues which might be raised on the pay offer for the non-industrial civil service are:

- the weighting in favour of staff not receiving increments
- the level of the offer (5 per cent) for these staff (two-thirds of the total)
- the timing of the negotiations.

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3. You will recall that when Ministers agreed on the previous offer (3.7 per cent overall, with 4 per cent for those not receiving increments and 3 per cent for the rest) the Secretary of State for Defence in his minute of 3 May expressed reservations on the grounds that this favoured those on their maxima who might be "settling for a quiet life" rather than "aspirants striving

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for future promotion". In his minute of 8 May Lord Gowrie rejected this argument pointing out that, with a contracting service, many staff might reach their maxima in their mid-twenties with little hope of early advancement. The weighting in favour of staff not receiving increments is even more marked in the latest offer (5 per cent as against 3.5 per cent) and Ministers will need to be sure that they accept the management arguments in favour of this.

4. The overall level of the offer (4.5 per cent) ought not to have awkward repercussions; indeed the teachers have already rejected an offer at that level. It may be argued however that public attention will be directed to the 5 per cent for the staff not receiving increments, and that it would be presentationally desirable to shade this down, say to 4.9 per cent. Against this it can be argued that the 5 per cent has great presentational appeal for the civil service unions since it is the lower quartile figure which emerged from the OME survey of pay data and that it might just tip the scale in favour of a quick settlement before the Review Body reports have to be published.

5. When the level and shape of the offer are agreed you will wish to ask the Chancellor about the timing of the negotiations. If the informal sounding about the offer is made late on Monday or early on Tuesday, is there any chance that a settlement can be reached before the Whitsun recess? Is there likely to have to be some consultation process within the individual unions, and how long is that likely to take?

Review Body reports

6. As requested at the Ministerial meeting on 3 May, Sir Robert Armstrong's paper illustrates two alternative approaches to the Review Body reports: reducing the effective increases over 12 months by deferring implementation, staging, or making



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them run for a longer period; and using managerial arguments about improved efficiency involving actual or potential cost reduction to justify paying the increases in full.

7. The main issues are therefore:

i. which of these two approaches are to be adopted for the reports of the four Review Bodies; (AFPRB, NRB, DDRB and TSRB)

ii. when and how are the proposals for implementation to be put before the Cabinet and, when approved, announced.

8. The crucial political decisions are those affecting the AFPRB and NRB reports. The increases recommended in those reports are the largest (7.6 per cent and 7.5 to 7.8 per cent respectively), involve most people (some 900,000), and have the biggest consequences for public expenditure. The main considerations on either side of the argument are:

against full implementation

- the cost
(the Secretary of State for Defence has undertaken to absorb the £185 million extra cost of the AFPRB award this year; and the Secretary of State for Social Services to absorb some £54 million extra pay costs for the NHS, but this would still leave a call of over £200 million on the Reserve);
- the repercussions
(for the non-industrial civil service, unless settled by then; the rest of the NHS; the teachers; and less directly, the railwaymen and the miners);



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in favour of full implementation

- the difficulties of abandoning a long-standing policy on armed forces pay without a sufficiently clear-cut excuse for doing so (the Government has made a virtue of not having a pay norm for the public services);
- the risk of an explosion and accusations of bad faith from the nurses in the first year of the new arrangements;
- the difficulty of cutting back the armed forces and nurses unless the Government is prepared in due course to apply the same treatment to the police and the fire service.

9. The DDRB and TSRB reports will have to be considered against the background of the decision on these major issues. Trimming back the recommendations in these two reports (which are somewhat lower than the others: 6.9 per cent for the doctors and dentists and under 6.5 per cent for the TSRB groups) will do little or nothing to mitigate the repercussive affects of implementing the AFPRB and NRB reports in full. So far as costs are concerned a reduction in the effective increase to the doctors and dentists may ease the NHS financing problems slightly; for the TSRB groups there is no significant financing problem as paragraph 5 of Sir Robert Armstrong's paper explains.

10. For the DDRB therefore the decision may turn on whether the Secretary of State for Social Services considers it defensible to treat the recommendations differently from the NRB's recommendations.

11. For the TSRB, the important relationship is with the settlement for the non-industrial civil service. The Chancellor may press for the effective increase over the twelve months to be reduced by one of the methods discussed in paragraphs 7 and 8



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of Sir Robert Armstrong's paper, in line with his latest proposed offer, discussed earlier in this brief. This could either be to 4.5 per cent (the overall increase) or to 5 per cent (the increase for those who receive no increments - which is the case for the TSRB groups). This could be done by paying 3 per cent from 1 April and the balance from either 1 November (yielding 4.46 per cent), from 1 October (yielding 4.75 per cent), or from 1 September (yielding 5.04 per cent). Different views can be held on whether it is worthwhile in presentational terms to make fine adjustments of this kind which nevertheless have some significant implications for the pensions of those retiring during the relevant period.

Timing

12. You said in the House on 15 May (OR Col 146) that you "hope to be able to make an announcement on all of [the Review Body reports] not later than just after the Whitsun recess", ie presumably not long after 4 June. The Cabinet will however need to be consulted, and they have often found it difficult to reach agreement at one meeting. On the other hand it is desirable, in order to minimise leaks, to have the Cabinet discussion very close to the time of announcement.

13. This suggests that the Review Body Reports should be discussed at the Cabinet on Thursday 7 June with an announcement by written Parliamentary answer (following well established precedent) that afternoon or the following day. If however the AFPRB and/or the NRB recommendation were not to be accepted in full, an oral statement would probably be unavoidable and would have to come early in the following week.

14. You will wish to consider whether, as in recent years, the Cabinet's discussion should be on the basis of a note by the Secretary of the Cabinet which summarises the relevant facts and



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sets out the provisional conclusions reached at a meeting of the Ministers mainly concerned under your chairmanship.

CONCLUSIONS

15. You will wish to reach conclusions on:

i. (if necessary) whether the level and shape of the next pay offer to the non-industrial civil service should be as proposed in the Chancellor of the Exchequer's minute of 17 May;

ii. whether, in respect of each of the reports of the four Review Bodies (AFPRB, NRB, DDRB and TSRB):

- the recommended increases should be implemented in full,
or
- the effective increases over 12 months should be reduced
and, if so, how;

iii. when and how the proposals for implementation should be:

- put before the Cabinet, and (when approved)
- announced.

PLG

P L GREGSON

18 May 1984

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Ref. A084/1493

PRIME MINISTER

Handling of Review Body Reports 1984

--- As requested at your meeting of Ministers on 3 May about the handling of the Review Body reports for 1984 I attach a note, prepared with the help of the Permanent Secretaries primarily concerned, which sets out:

- i. alternative ways of reducing the effective increases over 12 months;
 - ii. managerial changes to improve efficiency which might offset the cost of, or justify, higher than average increases for these groups.
2. The figures in paragraph 4 of the paper about the financing of the NRB and DDRB recommendations, if they were to be implemented in full, relate to Great Britain and not just to England. They reflect the understanding reached earlier this week between the Secretary of State for Social Services and the Chief Secretary, Treasury. The agreement of the Secretaries of State for Scotland and Wales will however need to be obtained in due course in respect of their figures and their share of the savings to be found. At present neither they nor their Departments have seen the reports or been involved in the discussion.
3. I am sending copies of this minute and the attached note to the Lord President, the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Defence, Social Services and Employment and the Minister of State, Privy Council Office.

RA

ROBERT ARMSTRONG

18 May 1984



HANDLING OF PAY REVIEW BODY REPORTS 1984

Note by the Secretary of the Cabinet

At the Prime Minister's meeting on 3 May I was asked to develop proposals for the handling of the 1984 Pay Review Body reports in consultation with Permanent Secretaries of the Departments mainly concerned.

NATURE OF THE PROBLEM

2. The annual increases recommended in the 1984 reports are: by the Armed Forces Pay Review Body (AFPRB) for the armed forces up to and including the rank of Brigadier and equivalent 7.6 per cent; by the Nurses Review Body (NRB) for nurses and midwives 7.5 per cent and for the professions allied to medicine 7.8 per cent; by the Doctors and Dentists Review Body (DDRB) 6.9 per cent; by the Top Salaries Review Body (TSRB) for senior civil servants of the rank of Under Secretary and above, Major-Generals and the equivalent and above, and the judiciary just under 6.5 per cent. There are two main difficulties:

i. the increases recommended are well in excess of the 4.5 to 5 per cent level of settlement established in the public sector in the pay round so far and being sought for other groups where settlements have not yet been reached (notably the non-industrial Civil Service, schoolteachers in England and Wales, National Health Service staff not covered by Review Bodies, and the miners);

ii. additional costs have to be met in excess of the existing expenditure provision based on a 3 per cent pay factor; in so far as these cannot be absorbed by Departments, they will add to the pressures, already considerable, on the 1984-85 Reserve.



3. The cost of implementing the AFPRB recommendations would be some £133 million in excess of the cash limit provision. The Ministry of Defence consider that, although it will not be easy to absorb this, it will be possible to do so.

4. For the NRB and DDRB health departments would be faced with costs over and above existing provision of around £340 million (All figures Great Britain). Of this, £220 million is for the cash limited services and £120 million is for the non-cash limited Family Practitioner Services, including £80 million contractual payments for doctors' and dentists' back expenses. It is in addition assumed that the cash limited NHS will have to meet an excess over 3 per cent for the eventual settlement for non-Review Body staff; if this comes out at 4.5 per cent the excess would be about £45 million, giving a total for the cash limited services of £265 million. The Secretary of State for Social Services and the Chief Secretary, Treasury have discussed what offsetting savings could be made in the current financial year without damaging patient services and without prejudicing important longer-term elements, including implementation of the Griffiths management reforms and the review of the FPS. They agreed that no savings were feasible on the FPS and that the full excess of £120 million would be charged to the Reserve. They noted that health authorities were being required to make increased efficiency savings (of over £100 million), but that these were substantially committed to developments necessary to secure adequate standards of patient care. They agreed that the share of savings to be used for funding agreed pay settlements in the cash limited services should be £54 million; health authorities would thus find from within their cash limits 20 per cent of the settlements affecting their staff and £211 million would be met from the Reserve. These figures cover both Review Body and non-Review Body settlements; in some respects these have different characteristics and the timing and form of announcements would need to be carefully considered, as would the situation if the non-Review Body staff settlement was substantially different from 4.5 per cent.



5. So far as the TSRB is concerned, Departments would be expected to absorb the cost of senior civil servants' increases (up to about £0.7 million above the 3 per cent provision already in plans) marginally adding to the pressures already brought about by the prospect that the Civil Service pay settlement is likely to be higher than 3 per cent. The Ministry of Defence would absorb the excess cost of the senior armed forces officers' increase, put at £0.2 million. The Lord Chancellor's Department would, however, have problems in relation to the judiciary, where the full award would cost them about £1.15 million above existing provision for England and Wales. The Lord Chancellor's Department has agreed to absorb £0.5 million. The Treasury accepts that the balance, and the full excess over 3 per cent for Scotland and Northern Ireland (£0.25 million at most), may need to be met from the Reserve.

POSSIBLE APPROACHES

6. It was agreed at the Prime Minister's meeting on 3 May that two possible approaches should be explored either as alternatives or in combination for each of the Review Body groups:

- i. a reduction in the effective increase over the 12 months period, say to around 4½ per cent;
- ii. managerial changes designed to improve efficiency, which might offset the cost of, or justify, higher than average increases.

Reduction in Cost

7. There are two main ways of reducing the 1984-85 cost to around 4½ per cent:

- a. a straight across-the-board reduction in the recommended increases to this figure with effect from 1 April 1984;
- b. giving the award in full but from later dates in the year, so as to lead to an effective increase of around 4½ per cent over the year, by either:



- i. deferring implementation of the recommended increases from 1 April to 1 August; or
- ii. staging, so that 3 per cent would take effect from 1 April and the balance from 1 November.

--- The table at Annex A shows how the two approaches at b.i. and b.ii. would reduce the 1984-85 costs for the various groups.

8. An alternative approach would be to give the recommended awards with effect from 1 April 1984 but make it clear that they run up to say 30 June 1985. This would have the advantage of allowing the increase to be presented as a lower number (it would annualise at 4/5ths of the actual increase given so that - for example - the nurses would be presented at 6 per cent); and it could have longer-term value in moving the effective dates for these potentially embarrassing reports towards the back end of the pay round. It would also reduce costs in 1985-86 provided "catching up" was resisted. It would not however reduce the costs in the current year.

9. At the meeting on 3 May Ministers discussed the arguments in favour of a reduction in the recommended increases for the various Review Body groups. In deciding whether to pursue the options discussed in paragraphs 7 and 8 above they will need to bear in mind the following considerations:

- i. the need, in accordance with past pledges, to find "clear and compelling reasons" for rejecting Review Body recommendations; this would be particularly relevant to a straight across-the-board reduction in the recommended increases, rather than deferring implementation or staging;
- ii. expectations of particular groups, notably the armed forces in the light of the Government's policy since 1979 of implementing AFPRB reports in full, and the nurses in the light of the fact that this is the first year of operation of the NRB, and that, as part of the agreement



which brought the NHS dispute to an end in 1982, the Government made it clear that the NRB's first report should relate to the period beginning 1 April 1984.

(Statement by the Secretary of State for Social Services on 9 November 1982 OR Co1 428);

iii. the difficulty of rejecting or abating the recommended increases for some of these groups (notably the armed forces) without giving similar treatment to increases at a similar level which may emerge from the pay machinery for the police (in July) and the fire service (in the autumn);

iv. the effect on the pension entitlements of individuals; this is particularly relevant to any deferment of implementation or staging; the special nature of the Armed Forces pension arrangements would entail additional complications and difficulties in that area;

v. the reaction of Review Body members, and the possible effect on the continuation of the Review Body arrangements.

Improvements in Efficiency

10. The remainder of this paper considers how far managerial changes designed to improve efficiency, which are already in train or might be introduced in the future, could be held to offset the cost of the Review Body recommendations or to justify increases somewhat higher than the average in the public services.

11. So far as the armed forces are concerned (both those covered by the AFPRB and the senior officers covered by the TSRB) the Ministry of Defence is, as the latest Defence White Paper makes clear, in the process of intensifying its measures to improve efficiency. They range from the reorganisation of Defence Headquarters and the MINIS scrutinies through major reviews like 'Lean Look' (studies of Army support areas) and 'Slimtrain' (streamlining Naval shore training) to detailed improvements in things like stores handling and maintenance. The control of manpower numbers - both military and civilian - is fundamental



to these studies; it is augmented by a programme of contractorisation and privatisation and, in the equipment field, intensification of competition. The central objective of all this is the same - to get better value from the defence budget by moving resources from the "tail" to the "teeth". But effective "teeth" require above all well-motivated Servicemen in all three of the Armed Services, and it would be illogical to require more of Servicemen (eg in terms of longer sea time or more intensive training) while curtailing what the Government has hitherto represented to be the appropriate reward for their work. The Ministry of Defence believes that it would be consistent with its broad objectives to help finance the AFPRB recommendations by using some of the savings which will flow from its intensive programme of improvements in efficiency.

12. For the NHS groups, the aim must be to link increases in pay to co-operation in reducing unit costs. The Government would therefore make it clear in announcing its decision on the Review Body reports that co-operation with management in improving productivity is an essential part of any employee's job; that the Review Bodies' recommendations are being accepted only on the basis that this part of the job will in fact be vigorously performed; that performance will be monitored on behalf of the Department by health authorities; and that the outcome of this monitoring process will in future be regularly reported to the Review Bodies on the basis that failure in this part of the job should be seen as a factor relevant to the level of remuneration in future years. The Prime Minister would repeat this in a formal letter to the Chairmen of the Review Bodies concerned with the three NHS groups saying that the Government will in future be asking them to take this factor into account - in effect an open rider to each of their terms of reference. (It would be for consideration whether the staff organisations should simply be informed or formally consulted.) This approach should in principle apply to all the NHS staff groups concerned, though its application to independent contractors in the family practitioner services will inevitably be rather less precise.



13. It is not conceivable that the "efficiency" rider could pay for the excess costs to the NHS of the Review Body reports in 1984-85. But its long-term impact could be very big indeed, for improvement in productivity is a far-reaching concept in health care. In relation to nurses, it would include a rigorous review of the deployment of the work force to ensure that there was no duplication or inefficient patterns of working, covering, for example, a re-examination of shift overlaps, unsocial hours payments and staffing levels hitherto based on historical considerations rather than on current needs. In relation to medical services, examples are the re-examination of the quantum of out-of-hours stand-by duty, the greater use of cross-cover between Departments; and the acceptance of - and indeed medical leadership in - changes on the organisation of patient care aimed at improved productivity. More generally - and of immediate significance - the rider would require from the professions co-operation and, in many cases, leadership in securing the better management of the NHS now being demanded by the Secretary of State and endorsed by the Griffiths report. This extends from the early introduction of the general management function in the hospitals, and the changes in working methods that will require, to the development and application of clinical budgeting and the involvement of clinicians in the cost-effective running of their Departments. The opportunity of establishing a link between the professions' management performance and their pay, as an incentive and as a deterrent, should not be missed.

14. In the case of the senior Civil Service grades covered by the TSRB it is relevant that the Government is carrying through a major reconstruction of the role, and working methods, of central Government. Over 200 scrutinies and reviews have so far been conducted into the efficiency with which particular Government tasks are undertaken. These have so far saved the taxpayer over £200 million a year and pointed to possibilities for saving at least as much again. Major reform is in progress, under the general heading of the Financial Management Initiative, leading to the systematic analysis of objectives, achievements and costs



throughout the Service and designed to improve the future management of the resources deployed by Government; many tasks have been or are being privatised or hived off; a substantial effort is being made to devolve responsibility and authority over the use of resources to the operating units of Government Departments; information technology is being introduced on a substantial scale; and increasing resources are being devoted to professional training at all levels. Since 1979 the size of the Civil Service has been reduced by more than 108,000 (14.8 per cent) despite substantial increases in the demands made upon public services by the recession. Roughly one-eighth of the staff reductions have been brought about by hiving off or privatising particular functions. About a quarter have derived from the dropping or curtailing of particular tasks. The remainder and the increased demands on Government brought about by the recession have been met through increases in efficiency.

15. The senior Civil Service has been, and remains, the Government's prime instrument for carrying through these managerial changes, as well as other major changes in Departments' policies and programmes. Despite this, the number of civil servants at Under Secretary level and above (the senior Open Structure) has been reduced by 16 per cent over the period (from 814 on 1 April 1979 to 682 on 1 January 1984). This reduction has been achieved partly by natural wastage (about 400 normal retirements, etc), partly by a reduction in the number of promotions to the senior Open Structure (now running at about 60 a year compared with 90 a year from 1974-79) and partly by various early retirement measures (some 90 members of the senior Open Structure have retired early in the past five years). The net effect has been that about 55 per cent of the present senior Open Structure have been appointed to that Structure since April 1979.

16. In addition this year the Government have set aside funds which will by the end of 1984 enable about 100 senior staff over the age of 55 - mainly at Assistant Secretary level and above - to retire early with the express purpose of providing new promotion opportunities for talented younger staff whose promotion might



otherwise be held back by the contraction of the Civil Service as a whole. Finally, the Government is currently considering the introduction of merit pay to further encourage effort and reward achievement. On present plans Under Secretaries would be eligible for payments under this scheme.

17. All of these measures and developments have led to a tauter and more purposefully directed senior Civil Service whose efforts are increasingly devoted to the pursuit of efficiency and value for money in the conduct of the Government's operations. They have led not only to a significant increase in the workload on individuals but to an appreciable improvement in the quality of the managerial input.

18. The Civil Service being a career service, the effects of remuneration of the higher Civil Service upon recruitment and retention are indirect and impossible to measure. Effects of today's recruitment will not be felt in the higher Civil Service until the generation being recruited today reaches the higher Civil Service in 15 to 20 years' time; but by that time it will be too late to remedy any damage that may have been done. The impression of those concerned with the recruitment of the graduates who would be expected in due course to become higher civil servants is that potential recruits to the Civil Service are affected by the image of public standing of the senior Civil Service, and look at compatible earnings later in the career (as well as at the beginning) as one yardstick of that standing. Recent experience in recruitment and retention gives some cause for concern:

- i. In 1982 and 1983 the Civil Service Commission were unable to recruit enough graduate "high flyers" even for the relatively small number of vacancies on offer (24 recruits for 44 vacancies in 1982, 47 recruits for 60 vacancies in 1983).



ii. When the direct entry Principal scheme was revived in 1983 36 posts were offered but, despite nearly 1,000 applicants, only 19 recommendations for appointment were made. That was an indication of a severe failure to attract a field of adequate quality. Of the successful candidates 4 subsequently withdrew for reasons including insufficient salary; in the end, only 15 posts were filled and, even here, one-third of the candidates had to be given an increase in the recommended starting salary while, for a number, accepting a Principal appointment entailed a loss of earnings.

iii. Certain Departments (notably the Treasury) have suffered significant and increasing outflow of high quality Principals (who would if they had stayed have become tomorrow's senior civil servants), some of whom are known to have been attracted by better pay and prospects outside Government Service;

iv. Experience in recruiting outside candidates for very senior posts suggests that it is impossible to recruit adequate candidates of comparable quality with the civil servants in the appropriate grade can well be in receipt of remuneration packages twice or even more as large than the comparable civil servants.

19. In the case of the judiciary there are no managerial changes of the kind referred to in respect of other Review Body groups which could be cited as leading to improvements in efficiency offsetting the costs of the increases or justifying a higher level of increase. The main development in this area is that, as the Lord Chancellor told the Home Affairs Committee when giving evidence to them on 4 April 1984, he would like to appoint 10 per cent more circuit judges in order to reduce the backlog of criminal cases awaiting trial in the Crown Courts. This increases the difficulty, which exists already, of recruiting circuit judges of adequate quality from the best practising barristers who, in mid-career, are well remunerated. The justification for the increases for the judiciary would therefore need to lean heavily on the special recruitment arguments.



ISSUES FOR MINISTERS

20. Ministers are invited to consider:

i. in the light of paragraphs 7 to 9, how far they wish to reduce the effective increases for the various Review Body groups to around 4½ per cent by:

a. straight reduction of the increase due from 1 April;

b. deferring implementation (say until 1 August) or staging (say 3 per cent from 1 April and the balance from 1 November);

c. making the awards run until 30 June 1985 rather than 31 March 1985; *n a combination of (a) and (c).*

ii. in the light of paragraphs 10 to 18, to what extent they wish to implement the recommended increases in full on the grounds that there are improvements in efficiency which will offset the cost of, or justify, higher than average increases for these groups.

RA

ROBERT ARMSTRONG

18 May 1984

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REVIEW BODIES - EFFECTS OF DIFFERENT IMPLEMENTATION DATES

<u>Body</u>	<u>Number Involved</u>	<u>** Award Recommended from 1 April</u> %	<u>Effect if full increase given from 1 August</u> %	<u>Effect if 3 per cent given from 1 April and balance from 1 Nov</u> %
AFPRB	321,000	7.6	5.07 ✓	4.92 ✓
NRB *	518,000	7.5	5.00	4.88
DDRB	98,000	6.9	4.60 ✓	4.63 ✓
TSRB	1,800	6.5 //	4.33 ✓	4.46 4.52 //

* NRB - comprise nurses, award 7.5 per cent: and professions ancillary, award 7.8 per cent.

** Bodies' Estimates.

ANNEX A

SECRET



10 DOWNING STREET

THE PRIME MINISTER

15 May 1984

Dear Mr. Day,

Thank you for your letter of 8 May.

I can assure you that I am fully conscious of the importance which the Royal College attaches to the Nurses and Midwives Review Body. Norman Fowler has told me of the strength of feeling which was expressed when he addressed your Annual Congress at the end of April.

We do, of course, also recognise the need to deal with the report expeditiously. However, we have reports from four separate review bodies and it is appropriate that we should consider them all together. In doing so, we have to consider not only the amount recommended by the review bodies but also other issues including where the money will come from to meet whatever recommendations are made. That process of consideration is under way but, as I have said in the House, it is most unlikely that I will be in a position to announce the conclusions before the Whitsun Recess.

/The College

The College has presented its evidence to the Review Body which has taken it into account in making its recommendations. In these circumstances I do not think a meeting with the College is necessary.

Yours sincerely

Margaret Thatcher

Trevor Clay, Esq.



file 811
Aek'a 8/5

10 DOWNING STREET

From the Private Secretary

8 May, 1984

I enclose a copy of a letter which the Prime Minister has received from Mr. Trevor Clay, General Secretary of the Royal College of Nursing.

I should be grateful for advice and a draft reply which the Prime Minister might send to Mr. Clay by close of play on Friday, 11 May.

ANDREW TURNBULL

S. Godber, Esq.,
Department of Health and Social Security

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Patrons: Her Majesty the Queen
Her Majesty Queen Elizabeth the Queen Mother
Her Royal Highness the Princess Margaret
Countess of Snowdon



20 Cavendish Square, London, W1M 0AB
Tel: (01) 409 3333
General Secretary: Trevor Clay, MPhil, SRN, RMN.

Royal College of Nursing
of the United Kingdom

bcc: Mr Gregson
(CO)

TC/JMS/ps

8th May 1984

The Rt. Hon. Margaret Thatcher MP,
10 Downing Street,
London SW1.

Dear Prime Minister,

I am writing to you on my return from Harrogate where the Royal College of Nursing Representative Body was meeting last week.

I am sure that you will have been informed of the reaction of that meeting when I advised members on Thursday afternoon of the reply which you had given earlier in the House of Commons as to when you might announce the government's decision in respect of the recommendations of the Nurses and Midwives Review Body. The College understands that it is necessary for you to consider the report in great depth and, in doing so, to have in mind reports from the other review bodies. Nevertheless, I am sure you will appreciate that the expectations of the nursing profession, and particularly of the Royal College of Nursing, have been raised as a result of your government's offer of new machinery to determine nurses' pay. The Review Body has, unfortunately, had to present its first report to you in a climate of increasing frustration being expressed by many groups in the public sector; nurses do, however, maintain the uniqueness of their case. I should be most grateful if you would let me know whether in the special circumstances which exist at the present time, it is possible for you to make an announcement before the Whitsun Recess. Members of the Representative Body were anxious that representatives of the College should seek a meeting with you in order to discuss the situation.

I am sure that I do not need to remind you that Rcn members have shown praiseworthy patience since 1982, when the notion was first raised that the system for determining their pay awards should be transferred from the Whitley machinery to an independent pay review body. The promise that this action gave came to be welcomed by the profession and nurses have been waiting in expectation that when your announcement is made it will reward that patience, as well as recognise their worth to society, by giving them justice in pay terms. Their disappointment at learning that this waiting period would last for at least another four weeks manifested itself into the anger and frustration to which I have referred above.

I look forward to hearing from you.

Yours sincerely,

Trevor Clay

Trevor Clay
General Secretary



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONGPay Review Body Reports: 1984

The Prime Minister held a meeting today to discuss the Government response to the Reports of the Review Bodies on Armed Forces Pay, Nursing Staff, Midwives, Health Visitors and Professions Allying to Medicine, Doctors and Dentists and Top Salaries. Present were the Lord President, the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Defence, Social Services and Employment, Lord Gowrie, yourself and Mr. Gregson.

The Prime Minister said that the recommendations of the Review Bodies, which lay in a range of 6-8 per cent, were disappointing and unwelcome. These figures were against a background where all the groups started from a position in which past staging had been worked off, where inflation was 5 per cent and falling. There were no problems of recruitment and retention other than in localised areas (certain skills in the Armed Forces, some judges and civil servants were mentioned during the course of the meeting). The reports bore all the hallmarks of a simple comparability exercise, slightly scaled down. Nevertheless, there were severe difficulties in rejecting the recommendations, especially those for the nurses, etc. who had come into the Review Body system for the first time. The Prime Minister noted that the pay levels for staff nurses and some of the other NHS professions were very low.

In discussion, it was noted that the Review Body recommendations would inject a most unhelpful boost into the pay round, where a substantial number of settlements had been achieved below 5 per cent. There were also a number of groups where the Government was seeking to achieve settlements around 4½ per cent, e.g. the teachers and the civil servants. An early announcement of acceptance of even some of these reports would greatly prejudice these negotiations. It was noted that the conferences of the Civil Service unions would take place between 14-21 May. Acceptance of the recommendations would also cause severe problems for public expenditure programmes. While there were sufficient resources in the defence budget to accommodate the increases proposed, this would mean devoting resources to pay rather than the enhancement of defence capability. There would be great

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Lord Gowrie's Office

Andrew Turnbull

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difficulties in accommodating these increases within the cash limits for the NHS.

It was argued that if the Government were to accept these recommendations, it should seek first to contain the cost to public expenditure by reducing numbers or by delaying introduction of the new rates and secondly, should seek to extract the maximum advantage in terms of changes to the management of the various pay groups. It was suggested that the Government should seek to present any increases agreed as being as small as possible, though the scope for this was limited by the fact that the reports would be published.

Announcement of the awards should be used as an opportunity for introducing measures such as early retirement and merit pay, though it was noted that the latter could become bureaucratised, failing to select those most needed to be awarded. An alternative was the approach of "up or out" adopted by the Armed Forces. In the longer term, the Review Body system needed to be changed to give greater emphasis to affordability.

On timing, it was agreed that the Government response should be delayed as long as was feasible; indeed, there might be merit in announcing that no early decisions were to be accepted. (Later in the day, during the course of Questions, the Prime Minister said the Government response would be made known after the Whitsun Recess.)

BF | Summing up the discussion, the Prime Minister said the group was not in a position to take final decisions. More work was needed to establish how the costs might be minimised, e.g. by deferring introduction of the full rates; what were the implications for public expenditure programmes (on this the Secretary of State for Social Services should consult with the Chancellor of the Exchequer); how the repercussions for other pay settlements might be contained; what managerial changes should be introduced for the various pay groups. Time for consideration of these questions was limited. The Prime Minister asked you to consult with a limited circle of officials to develop proposals which could be put to a further meeting of the group in the week after next.

I am copying this minute to the Private Secretaries of the Ministers attending the meeting. It should be shown only to those officials who need to know of its contents in order to carry forward the work being organised by the Cabinet Office.

ANDREW TURNBULL

3 May, 1984

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PRIME MINISTER

2 May 1984

PAY REVIEW BODY REPORTS

This year's recommendations are a setback for our public sector pay policy. If they were accepted, roughly half the 2 million public sector employees would receive about 7% this year, the other half, around 4½%. The Bodies have done little more than conduct the comparability exercise, matching private sector earnings (not pay rates which have risen more slowly). The Government's philosophy on pay - concern for affordability and recruitment/retention considerations - has been disregarded.

The options facing us are:

- (i) accept all recommendations;
- (ii) reject all, on the grounds that they are unconvincingly argued and incompatible with the Government's approach to pay;
- (iii) pick and choose, and possibly box clever on staging.

Option 1 is unacceptable. This pay round is going quite well so far. Major groups (local authority manuals, electricity and gas workers) have settled at less than 5% on an annualised basis. We can still hope to secure similar settlements for teachers, in British Rail and the Civil Service. But now that the nurses are within the special Review Body category, the latter accounts for about one half of public sector employees. It will be difficult to convince the rest that all this group is "special". It would be difficult to conclude this pay round as successfully as it has begun, let alone repeat it next year if the recommendations are accepted.

Option 2 - reject all recommendations - would question the Government's commitment to the Review Body principle. It would be difficult to reject the NRB's very first recommendation. The establishment of the Body was part of the 1982 settlement with the nurses; to establish the Body and disregard its recommendation would be widely seen as a cynical and ethically dubious device.

Option 3 seems the only course. We suggest something along the following lines:

Nurses: accept recommendation, but try to reduce the impact of this on the negotiation with the non-medical NHS staff by making it clear that managerial initiatives will be essential to absorb the cost of this settlement without damaging the NHS. In particular we suggest:

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- Work measurement for nurses, leading to more productive use of their time (we have heard of overlaps between nursing shifts of 4 hours);
- less indulgent nursing accommodation and disposal of some of the £1 billion worth of properties involved. Norman Fowler should publish the Rayner Study which has revealed how extravagant the existing NHS accommodation policy is. There are too many empty houses and flats; these can be sold. The NHS is subsidising each of its 95,000 staff in residential accommodation by £5 week on average, disregarding any of the capital costs involved. Could we not raise the rents for those enjoying this cheap accommodation, to recoup a little of the pay increase?

Nurses will be encouraged to accept these changes by your own condition that the continued existence of the NRB depends on a no-strike record.

The remaining groups: scale down awards to the level of the eventual Civil Service settlement (4½-5%), and delay announcement. The scaling down could be achieved either by the lower percentage, paid from 1 April 1984, or by extending the period for which the awards would run, eg to 18 months. The decision would be defended on the grounds that the Pay Review Boards are only advisory and that they have not taken sufficient account of the very satisfactory state of recruitment and retention and the generally lower trend in public and private sector wage rate settlements.

Scaling down these awards to, say, 4½% would save around £150 million a year, on a continuing basis.

Nicholas Owen
NICHOLAS OWEN

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PRIME MINISTER

Review body reports 1984

...

The attached note summarises the 1984 recommendations of the various Pay Review bodies. They raise the following main issues:

i. The annual increases recommended (7.6 per cent for the armed forces, 7.5 and 7.8 per cent for the nurses and professions allied to medicine, 6.9 per cent for the doctors and dentists, and just under 6.5 per cent for the top salary groups) are, to varying extents, above the current average level of settlements both in the private sector (average in the pay round so far $5\frac{1}{2}$ per cent) and in the public sector (average so far just over 5 per cent).

ii. There may be repercussions for the public sector pay negotiations still pending and, in particular, those for the following groups:

- the non-industrial civil service;
- NHS staff not covered by review bodies;
- schoolteachers in England and Wales.

iii. The increases are well in excess of the pay factor of 3 per cent on which the expenditure provision for 1984-85 has been based. If the recommendations are accepted, departments will either have to absorb the excess or make a call on the contingency reserve.

2. The purpose of your meeting is to take a preliminary view of how far the recommendations should be accepted, to discuss the timing of publication of the reports and of announcements of



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Government decisions, bearing in mind the possible impact on outstanding public sector negotiations; and to consider the arrangements for further Ministerial discussion of the reports.

AFPRB Report

3. It may be best to start with the AFPRB Report since it would be an innovation for the Government to do other than accept the recommendations. The 1979 Manifesto contained the commitment: "We will bring Servicemen's pay up to full comparability with their civilian counterparts and keep it there." The 1983 Manifesto makes no explicit reference to comparability or to future action and says: "We have honoured our promise to give our regular and reserve forces proper pay and conditions".

4. The annual increase recommended for 1984 (7.6 per cent) is larger than that for 1983 (7.2 per cent) and than for 1982 (6.1 per cent). However the report lays great stress on recruitment and retention considerations, and says (para 2):
"There is already an indication that applications to leave the Services before the end of an engagement are increasing again, and recruiting difficulties remain in certain skills".

5. If it is concluded that there is no alternative to accepting the AFPRB's recommendations, there will need in due course to be a discussion between the Ministry of Defence and the Treasury about how to meet the difference between a cost increase of 7.6 per cent and the 3 per cent pay factor both in 1984-85 and in subsequent years. On some occasions in the past the Ministry of Defence has been able to absorb the difference in cost; the gap is however much larger this time.

Nurses Review Body Reports

6. It may then be convenient to turn to the two reports from the new Nurses Review Body. It has always been recognised that,



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whatever might be done in the future, it would be difficult to reject the first round of recommendations from the Nurses Review Body, It should be noted moreover that in both reports (paragraph 61 of the Nurses' report and paragraph 58 of the "professions allied to medicine" report) the aim this year is described as being merely "to stabilise the position while we proceed with our more detailed investigations". Finally it would be hard to defend rejecting the 7.5 per cent increase recommended for the nurses and the 7.8 per cent increase recommended for the professions allied to medicine, if the AFPRB's increase of 7.6 per cent was being accepted.

7. For the DHSS, as for the Ministry of Defence, there is the problem of the difference between the increases recommended and the 3 per cent pay factor. The Secretary of State for Social Services will say that he agreed to the 3 per cent pay factor last autumn on the clear understanding that if the Review Body Reports recommended higher increases there would be a case for a claim on the Contingency Reserve.

DDRB Report

8. If the recommendations in the two Nurses Review Body reports are accepted, it will be difficult to reject those for the doctors and dentists at a somewhat lower level (6.9 per cent as against 7.5 per cent and 7.8 per cent).

9. For the doctors and dentists there is also the problem of the difference between the increase recommended and the 3 per cent pay factor. The Secretary of State for Social Services will probably argue that the extra cost should be a claim on the Contingency Reserve.

Other NHS staff

10. The recommendations of the Nurses Review Body and the DDRB cover more than half the staff working within the NHS. There



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remain the ancillary workers (207,000) and the administrative, clerical and secretarial grades (128,900). In March management made offers of around 3 per cent to both groups which were rejected. Acceptance of the Nurses Review Body and DDRB recommendations which clearly exceed the 3 per cent pay factor will inevitably make it more difficult to achieve a low settlement for the non-nursing groups. There should be no difficulty in holding out against a settlement which equates to the Review Body recommendations which can be argued to relate specifically to the circumstance of the groups covered by them. It may be possible to hold the non-nursing groups to a settlement close to the 4.5 per cent secured by the local authority manuals, but the Review Body recommendations will make it difficult to do better than this.

TSRB Report

11. The handling of the TSRB Report will need to be considered in the light of any provisional views reached on the other review body reports. The increase recommended is the lowest (just under 6.5 per cent). Moreover the TSRB make it clear (paragraph 14 of the Report) that the information they have on pay movements at senior levels elsewhere (9½ per cent on average) would support higher recommendations. In paragraph 15 of the Report they urge full implementation in the interests of supporting the credibility of a system of independent review and of avoiding catching-up awards in the future.

12. The TSRB recommendations for the higher civil service have a bearing on the negotiations for the rest of the non-industrial civil service. The Government has rejected a claim for 7.8 per cent and the Government's initial offer in line with the 3 per cent pay factor has been rejected by the unions. In recent years it has been possible to get the pay settlement for the non-industrial civil service out of the way before announcing the Government's decision on the TSRB report.



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Timing and tactics

13. In an ideal world the most convenient course would be to hold up publication of all the reports and Government decisions on them until the main outstanding public service pay negotiations have been concluded, hopefully at levels considerably lower than those recommended in the review body reports. It is however known that the Government has received the report on the nurses and it will be widely expected that by now all the reports will have been received. The approximate level of the increase recommended for the nurses has already leaked and press speculation about whether the Government will accept the recommendations has begun. It will not be feasible to hold up publication of the Nurses Review Body reports for much longer. Unless the Government is prepared to allow speculation to build up that it may reject the recommendations, it would probably be desirable to publish the Reports within the next two or three weeks and to announce at the same time that the recommendations have been accepted.

14. There is also a problem of timing about the AFPRB Report. Since the Government took office in 1979 it has been the practice to get the AFPRB increases into May pay packets. For this purpose a decision has to be taken by 18 May, although the timetable might be squeezed to allow for an announcement on about 21 May. The Secretary of State for Defence may argue that if there is no announcement about this year's AFPRB recommendations by late May, speculation will arise that the Government may be contemplating rejection or abatement of the recommendations.

15. The most crucial factor affecting timing is probably the pay negotiations for the non-industrial civil service. The latest view on the tactics is that after the civil service union conferences in the week 14-18 May, a Government offer



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of around 4.5 per cent might either be accepted or imposed with grudging acquiescence by about the end of May. Publication and acceptance of the Nurses Review Body and AFPRB recommendations of well over 7 per cent before the end of May would however substantially reduce the chances of success. The Chancellor of the Exchequer may therefore argue for postponement until the end of May. The Secretaries of State for Social Services and Defence may however argue that it will not be possible to hold off pressure for publication and clarification of the Government's attitude to the recommendations for so long. A second best solution for the Chancellor would be to defer publication and announcement of the Government's decisions until the week beginning 21 May so as to avoid strengthening the hands of the militants at the civil service union conferences in the previous week.

16. The DDRB report might as well be published along with the Nurses Review Body reports and, following past practice, the Government's decisions would need to be announced at the same time.

17. In the case of the TSRB report it would be possible either to defer both publication and announcement of the decision or to publish it at the same time as the other reports and to announce the decision later as was done last year. The disadvantage of deferring publication is that there would be speculation that the recommendations were even higher than in the reports which had been published whereas they are considerably lower. The Chancellor of the Exchequer is likely to argue that even if the TSRB Report is published at the same time as the other reports, the Government should postpone its decision until the negotiations for the non-industrial civil service have been concluded.

Further Ministerial discussion

18. In the light of the views expressed at the meeting you will wish to consider the arrangements for further Ministerial



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discussion. Decisions on the Review Body reports are a matter ultimately for the Cabinet. If early publication of some at least of the reports is thought desirable, you may wish to bring the matter before the next meeting of Cabinet, perhaps on the basis of a largely factual note by the Secretary of the Cabinet as in earlier years. If however publication is to be deferred for some time, you will probably wish to delay the Cabinet discussion, so as to minimise the risk of leaks.

HANDLING

19. You will probably wish to invite comment first from the Secretaries of State for Social Services and Defence on the reports affecting the groups for which they are responsible. The Chancellor of the Exchequer will then wish to comment generally and about the TSRB Report. The Lord Chancellor should be given the opportunity to express views about the recommendations affecting the judiciary. The Secretary of State for Employment may have comments about the implications for the pay round generally.


CONCLUSIONS

20. You will wish:

- i. to establish how far there is a common view about the substance of recommendations in each of the five reports, i.e:
 - armed forces;
 - nurses and midwives;
 - professions allied to medicine;
 - doctors and dentists;
 - top salary groups;
- ii. to consider the timing of publication of the reports, and announcement of the Government's decisions;
- iii. to settle the arrangements for further Ministerial discussion.

1 May 1984

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P L GREGSON

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Prime Minister ① 3A

Mr Gregson suggests you hand this round at Thursdays meeting and collect in again afterwards.

Agree to proceed on this basis?

MR TURNBULL

Yes mt AT 30/4

Here is the factual note on the review body reports for handing round at the meeting after Cabinet on Thursday.

2. I am leaving it to you to make the copies required for that purpose and to number them as necessary.

P L GREGSON

30 April 1984

SECRET AND PERSONAL

Pay Review Body Reports 1984

Decisions are required on the following pay review body reports:

- i. Armed Forces Pay Review Body (AFPRB);
- ii. Review Body for Nursing Staff, Midwives, Health Visitors and professions allied to medicine (NRB):
 - a. on nursing staff, midwives and health visitors;
 - b. on professions allied to medicine;
- iii. Doctors and Dentists Review Body (DDRb);
- iv. Top Salaries Review Body (TSRB) on higher civil service, senior service officers, and the judiciary.

Their recommendations in all cases take effect from 1 April 1984.

Policy and recent practice in relation to review body reports

2. There is a long-standing commitment (re-affirmed when the Nurses Review Body was set up in July last year) that the Government will implement the recommendations of Review Bodies "unless there are clear and compelling reasons for not doing so". The AFPRB's recommendations have never been rejected by the Government although their implementation was staged in 1978. The DDRB's recommendations were abated in 1981 and 1982 but in 1983 the abatement was restored with effect from 1st January 1984. The TSRB's recommendations have never been accepted in full in recent years but their 1983 recommendations were implemented in two stages, from 1 August 1983 and from 1 January 1984.

AFPRB recommendations for 1984

3. The AFPRB estimate that the net cost of their recommendations will add 7.6 per cent (£198.1 million) to the estimated pay bill for 1984-85. The number affected is 321,000.

4. The increases for selected ranks are:

	<u>now being paid</u>	£ <u>proposed</u>
Brigadier and equivalent	25,001	27,101
Captain (Army) and equivalent	10,453-12,144	11,330-13,169
Sergeant and equivalent	7,895- 9,439	8,472-10,184
Private (I) and equivalent	5,552- 6,976	5,928- 7,490

NRB recommendations for nursing staff, midwives and health visitors 1984

5. The NRB estimate that the cost of their recommendations will add 7.5 per cent (£228 million) to the estimated 1984-85 pay bill for nursing staff etc. The number affected is some 550,000 (or 484,000 in "whole-time equivalent" terms).

6. The increases for selected grades are:

	<u>now being paid</u>	£ <u>proposed</u>
Regional Nursing Officer (R1)	18,973-24,292	20,491-26,235
District Nursing Officer (England) (DHA1(T))	17,594-23,039	19,002-24,882
Nursing Sister II	6,321- 8,103	6,827- 8,751
Staff Nurse (SRN)	4,998-6,094	5,398- 6,582
Nursing Auxiliary/Assistant (aged 18 or over)	3,530- 4,512	3,777- 4,828

NRB recommendations for professions allied to medicine 1984

7. The NRB estimate that the cost of their recommendations will add 7.8 per cent (£17.9 million) to the estimated 1984-85 pay bill

for professions allied to medicine (physiotherapists, radiographers, chiropodists, dietitians etc). The number affected is 44,000 (or 33,500 in "whole-time equivalent" terms).

8. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
District I Physiotherapist etc	12,561-13,067	13,566-14,112
Basic grade	5,367- 6,074	5,796- 6,560

DDRB recommendations for 1984

9. The DDRB estimate that their recommendations will add 6.9 per cent (£118 million) to the annual pay bill for doctors and dentists. The number affected is 94,950.

10. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
Consultant	18,900-24,260	20,200-26,080
General medical practitioner (intended average net remuneration)	20,670	22,070
General dental practitioner (target average net income)	17,890	19,100
Registrar	9,490-11,500	10,130-12,270

TSRB recommendations for 1984

11. The TSRB estimate that their recommendations will involve increases of just under 6½ per cent. The numbers affected are: 682 higher civil servants of the rank of Under Secretary and above, 215 senior officers in the armed forces of the rank of Major General and equivalent, and above; and 1117 members of the judiciary.

12. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
<u>Higher civil service/senior officers in the armed forces</u>		
Permanent Secretary/General and equivalent	42,750	45,500
Deputy Secretary/Lieutenant General and equivalent	34,250	36,500
Under Secretary/Major General and equivalent	27,750	29,500
<u>Judiciary</u>		
Lord Chief Justice	60,000	64,000
High Court Judge	48,000	51,250
Circuit Judge	31,000	33,000

SECRET



2

10 DOWNING STREET

From the Private Secretary

24 April 1984

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).

Timothy Flesher

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

SECRET

AT



10 DOWNING STREET

Mr Heyhoe's P/S phoned about TSB PQ. He had no real comments but mentioned that that had 2 unimportant which they hope could be "kept on the table" :-

- ① although not pushing they would like the small suggestion in Corcoran's letter to you of 3/4 taken into account
- ② they would, if possible, like the PQ is be dealt with this week.

Mark
11/4/5

SECRET



File 1

10 DOWNING STREET

From the Private Secretary

24 April 1984

Dear David,

I enclose a copy of the Seventh Report on Top Salaries by the Review Body on Top Salaries received by the Prime Minister. 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 Stoate (Lord Chancellor's Department) and Richard Mottram (Ministry of Defence).

Tim Flesher

Timothy Flesher

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

CST.

SECRET

AT IA
Circulated
as proposed
A

PRIME MINISTER

Review Body Reports

All the reports are now in and copies of each are attached.
You might like to skim through them. Each report contains a
summary ^{which} I have indicated for you.

The addition to the pay-bill recommended by the reviews is
as follows:

TSRB	<u>6.5%</u>
Doctors and Dentists	<u>6.9%</u>
Armed Forces	<u>7.6%</u>
Nurses, Midwives and Health Visitors	<u>7.5%</u>
Professions Allied to Medicine	<u>7.8%</u>

The Chancellor and the Secretary of State for Social Services
have copies of the reports on nurses etc. If you agree I will
circulate the other reports as follows:

TSRB	Ch/Ex ✓ Ld Chanc ✓ S/S Defence ✓
Doctors and Dentists	Ch/Ex ✓ S/S Social Services ✓
Armed Forces	Ch/Ex ✓ S/S Defence ✓

The reports would be sent with instructions that they should remain
with Ministers or their Permanent Secretaries. Copies of the reports
have been sent to Peter Gregson; the rest are under my control here.

A meeting has been arranged for 3 May with the relevant Ministers.
Peter Gregson will be providing a brief for that meeting.

I suggest the line in response to any press enquiries or PQs
should be that Ministers have received the reports and will be

considering them shortly. Their response will be made known in due course. We should discourage expectations that there will be very early developments.

Agree reports be circulated as suggested?

Yes no

HT

19 April 1984



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

19 April 1984

Dear Prime Minister

REVIEW BODY ON TOP SALARIES

I enclose our Seventh Report on Top Salaries, containing our recommendations on the salary levels that we consider to be appropriate for implementation from 1 April 1984 for senior civil servants, senior officers in the armed forces, and the judiciary.

Yours sincerely
P. Plowden

PLOWDEN, CHAIRMAN
REVIEW BODY ON TOP SALARIES

CONFIDENTIAL



CC 100
NBPM AT 18/4

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

18 April 1984

Dear Andrew

TSRB PENSIONS - FRINGE BODIES

In his letter of 12 April Alan Davis suggests, on behalf of the Secretary of State for the Environment, that senior staff of fringe bodies whose pay is related to that of the higher Civil Service should benefit from the decision announced in the Parliamentary Answer on 13 April.

I am writing to confirm that the Treasury agrees that fringe bodies are covered by the decision, and we have already written to Departments inviting them to take the necessary action.

It is unlikely that a significant number of senior staff employed by fringe bodies retired during the period 1 April 1983 to 31 July 1983 but we would be surprised if the figure were more than 10-20.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet, the Minister of State, Privy Council Office, the Chief Whip and to Sir Robert Armstrong.

James

Michael Corcoran

M E CORCORAN
Private Secretary

CONFIDENTIAL

Enonkol - TSRB 146.



17 8 APR 1984

1984 APR 17 12 23

Faint, illegible text, likely bleed-through from the reverse side of the page.

CC 100



D/P 26/4 on the Tsy response
 a large letter
 BT
 16/4

2 MARSHAM STREET
 LONDON SW1P 3EB
 01-212 3434

My ref:

Your ref:

12 April 1984

Dear Andrew

TSRB PENSIONS

My Secretary of State has no comments on the draft Parliamentary answer enclosed with Sir Robert Armstrong's minute of 9 April about the calculation of pensions of the judiciary, senior officers of the Armed Forces and members of the higher Civil Service who retired between 1 April and 31 July 1983.

A similar position could arise in the case of senior staff of fringe bodies whose pay is related to that of the higher Civil Service. If any of these staff retired between those dates their pension would have taken no account of the 1 August 1983 pay increase. Although my Secretary of State does not think that any reference need be made to fringe bodies in the Parliamentary answer, he considers that we should treat such staff similarly if this could be done within the terms of their pension scheme.

/ I am copying this letter to the recipients of Sir Robert's minute.

Yours ever

A H Davis

A H DAVIS
 Private Secretary

Andrew Turnbull Esq

Econ. Pst: TSRB #6

UNITED STATES POSTAL SERVICE
FIRST CLASS PERMIT NO. 10
NEW YORK, N.Y.



CONFIDENTIAL



13 APR 1984

CONFIDENTIAL



CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

11 April 1984

Dear Andrew,

TSRB PENSIONS

Sir Robert Armstrong wrote to you on 9 April attaching a draft Written Answer. Lord Cockfield has no comments on Sir Robert's minute or the draft.

I am sending copies of this letter to recipients of Sir Robert's minute and to Richard Hatfield.

yours ever,

Alex Galloway

A K GALLOWAY
Private Secretary

Andrew Turnbull Esq
10 Downing Street
London SW1

CONFIDENTIAL

11 APR 1984

12 1 2 3
4 5 6 7
8 9 0

CONFIDENTIAL

CC 100



BF with further
responses
AT 414

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

3 April 1984

Sir Andrew

TSRB PENSIONS

Sir Robert Armstrong sent me a copy of his letter of 28 March, with a suggested redraft of the proposed PQ.

The Minister of State is generally agreeable to the additions which he suggests. However he thinks it would be wise to omit the phrase "if in future it is necessary to delay or stage the implementation of Review Body salary recommendations" since as drafted the phrase may be read to imply that the Government will only delay or stage implementation if it does not accept the recommendations at once. As you will appreciate, there may be circumstances in which the Government might decide to do something quite different.

I am copying this letter to the Private Secretaries to the Lord Chancellor, the Chancellor of the Exchequer, the Secretary of State for Defence, the Lord Privy Seal, the Secretary of State for Social Services, the Minister of State, Privy Council Office, the Chief Whip and to Sir Robert Armstrong.

*Yours
Michael Moran*

M E CORCORAN
Private Secretary

CONFIDENTIAL

CONFIDENTIAL

file
bc Nick Owen

BH



10 DOWNING STREET

From the Private Secretary

2 April 1984

TSRB PENSIONS

The Prime Minister has seen your letter to me of 28 March. She agrees with your interpretation of the meeting of Ministers and hence with your redrafting of the second paragraph. While Government wishes to establish the presumption that pensions will not be payable on notional salaries it does not want to bind itself absolutely. She has suggested that the references to "salaries in payment" should be amended to "salaries payable". Subject to this amendment, she is content for the draft to be circulated to Cabinet colleagues.

I am copying this letter to the Private Secretaries to the Lord Chancellor, the Chancellor of the Exchequer, the Secretary of State for Defence, the Lord Privy Seal, the Secretary of State for Social Services, the Minister of State, Privy Council Office, the Minister of State, HM Treasury, and the Chief Whip.

(Andrew Turnbull)

Sir Robert Armstrong, G.C.B., C.V.O.

CONFIDENTIAL



10 DOWNING STREET

Prime Minutes

In my view, Sir Robert's
draft more accurately reflects
the sense of the meeting, at
which it was thought undesirable
to tie the Government's hands
absolutely.

Agree this text
be circulated to colleagues?

AT

30/3

Not 'Cred' - the

word was to be

"payable" - not "in

payment."

mf.

CONFIDENTIAL

EC NO.



70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A084/992

28 March 1984

Dear Andrew,

TSRB Pensions

Thank you for your letter of 16 March, commenting on my letter of 9 March and the draft enclosed with it.

You will have seen from the correspondence that the general feeling is that the draft answer should be briefer than that which was attached to my letter of 9 March, and that it should omit references to the DDRB. I am in general content to accept the briefer draft proposed by the Minister of State, Treasury (C). But the last sentence of that draft does not represent the sense of the Prime Minister's meeting. As drafted, the sentence states that in future the pensions of retiring public servants will be calculated on the basis of actual salaries received at or in the period preceding retirement, and not on any notional or deemed rate of salary. At the Prime Minister's meeting it was emphasised that, while that should be the principle, the form of the announcement should not completely exclude the possibility of the Government wishing to make further exceptions to the principle in future; and the Prime Minister indicated that she would think it right specifically to deal with the effects on pensions in any announcements she might in future make about Government decisions on Review Body recommendations.

I accordingly propose, and attach herewith, a revised draft, the last two sentences of which are intended to reflect what was agreed at the Prime Minister's meeting on these points.

If the Prime Minister and the other Ministers to whose Private Secretaries I am sending copies of this letter are content, the next step will be for the draft to be circulated to all members of the Cabinet, as agreed at the Prime Minister's meeting. As soon as the draft is cleared, I will arrange accordingly.

/I am

Andrew Turnbull Esq

CONFIDENTIAL

CONFIDENTIAL

I am sending copies of this letter to the Private Secretaries to the Lord Chancellor, the Chancellor of the Exchequer, the Secretary of State for Defence, the Lord Privy Seal, the Secretary of State for Social Services, the Minister of State, Privy Council Office, the Minister of State, Treasury (C), and the Chief Whip.

Yours ever

Robert

CONFIDENTIAL

To ask the Prime Minister what measures the Government proposes to take in respect of pensions of certain former civil servants as a result of the Government's decision following the Top Salaries Review Body recommendations for 1983-84.

DRAFT ANSWER

In 1983 the Top Salaries Review Body (TSRB) recommended new rates of salary for the judiciary, senior officers of the Armed Forces, and members of the higher Civil Service, to come into effect on 1 April 1983. On 21 July 1983 I announced that the Government had decided to increase the pay of those concerned in two stages, from 1 August 1983 and from 1 January 1984. The pensions of those concerned are based upon salary on or in the period immediately before the date of retirement, and therefore those who retired between 1 April and 31 July receive no benefit to their pensions. It has been represented to the Government that, having regard to past experience and the date on which decisions on pay were announced, those concerned might reasonably have expected their pensions to reflect an increase from 1 April 1983.

After careful consideration the Government has decided that, in view of the uncertainty and expectations that may have been created, it would be fair for the pensions of those in question to be calculated as if the increases which came into effect on 1 August 1983 had been implemented from 1 April 1983. This is to be regarded, however, as an exception to the principle that pension benefits of public servants are based on salaries in payment. It is the Government's intention that, if in future it is necessary to delay or stage the implementation of Review Body salary recommendations, this principle will be applied, and the pensions of retiring public servants in the group concerned will be calculated on the basis of salaries ^{payable} (in payment) at or in the period before the date of retirement and not on notional or deemed rates of salary which were not ^{payable} ~~in payment~~ on that date. I propose in future, when announcing the Government's decisions on the salary recommendations of Review Bodies, to make clear in any cases of doubt how the pensions of those concerned will be affected.

ECON P01: TSRB P46

30 MAR 1984



CONFIDENTIAL

②

PRIME MINISTER

MS

You may like to know the timetable for the expected delivery of the various Review Body reports. That on Nurses and others is expected on Monday or Tuesday of next week; the Armed Forces, Doctors and Dentists, and Top Salaries should arrive together in the week beginning 16 April. I have agreed with the Office of Manpower Economics that a limited number of copies would be delivered to 10 Downing Street, and copies would be circulated to sponsor Departments only when you have had the chance to consider the Reports.

AT

29 March, 1984.

CONFIDENTIAL

FROM THE PRIVATE SECRETARY

NDPM
26/3
4/50



HOUSE OF LORDS,
SW1A 0PW

26th March, 1984

Sir Robert Armstrong, GCB CVO
Secretary of the Cabinet,
Cabinet Office,
70 Whitehall,
London,
SW1A 2AS.

Dear Sir Robert,

TSRB Pensions

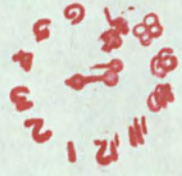
The Lord Chancellor has seen the revised draft PQ and Answer circulated by the Minister of State at the Treasury with his letter of 21st March. He has asked me to say that he thinks this is a great improvement on the first draft and should be adopted.

Copies of this letter go to the Private Secretaries to the Prime Minister, the Minister of State, Treasury, the Secretary of State for Defence, the Lord Privy Seal, the Secretary of State for Social Services, the Minister of State, Privy Council Office and the Chief Whip.

Yours sincerely,
Richard Stoute

Richard Stoute

2012
TS2B
R6



27 FEB 1984



BF via RTAs
response -

CCW

BT 22/3

Treasury Chambers, Parliament Street, SW1P 3AG

Sir Robert Armstrong GCB CVO
Secretary of the Cabinet
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

21 March 1984

Dear Sir Robert,

TSRB PENSIONS

You circulated with your letter of 9 March a suggested draft PQ and Answer intended, subject to Cabinet clearance, to announce the decisions of the Ministerial meeting on 7 March.

The Minister of State has seen the Prime Minister's, the Lord Chancellor's and the Secretary of State for Social Services' comments and, after consulting the Chancellor of the Exchequer, would like to suggest that a rather briefer answer be given, which might avoid unnecessary discussion about the nature of the original announcement and also avoid mentioning doctors and dentists at all. In addition, the Minister feels that the form of the Question itself needs to be made more neutral. A possible revised draft is enclosed.

...

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Lord Chancellor, the Secretary of State for Defence, the Lord Privy Seal, the Secretary of State for Social Services, the Minister of State, Privy Council Office and the Chief Whip.

Yours sincerely,

Debbie McCambridge

P.P. M E CORCORAN
Private Secretary

To ask the Prime Minister what measures the Government proposes to take in respect of pensions of certain former public servants as a result of the Government's decisions following the Top Salary Review Body recommendations for 1983-84.

DRAFT ANSWER

In 1983 the Top Salary Review Body (TSRB) recommended new rates of salary for the judiciary, senior officers of the Armed Forces, and members of the higher Civil Service, to come into effect on 1 April 1983. On 21 July 1983 I announced that the Government had decided to increase the pay of those concerned in two stages from 1 August 1983 and from 1 January 1984. The pensions of those concerned are based on salary on or in the period immediately before the date of retirement, and therefore those who retired between 1 April and 31 July receive no benefit to their pensions. It has been represented to the Government that having regard to past experience and the date on which decisions on pay were announced those concerned might reasonably have expected their pensions to reflect an increase from 1 April 1983.

After careful consideration the Government has decided that in view of the uncertainty and expectations that may have been created it would be fair for the pensions of those in question to be calculated as if the increases which came into effect on 1 August 1983 had been implemented from 1 April 1983. It should be clear, however, that in future the pensions of retiring public servants will be calculated on the basis of actual salaries received at or in the period preceding retirement, and not on any notional or deemed rate of salary.

Too rigid

Comm PA 876

TSRB



11 21
MAR 1984

FROM THE PRIVATE SECRETARY

NBSM a NO
HT 1213
HOUSE OF LORDS,
SW1A 0PW



16th March, 1984

Sir Robert Armstrong, GCB CVO
Secretary of the Cabinet,
Cabinet Office,
70 Whitehall,
London,
SW1A 2AS.

Dear Sir Robert,

TSRB Pensions

Thank you for copying to me your letter of 9th March 1984 to Andrew Turnbull about TSRB Pensions.

The Lord Chancellor has seen your letter and has suggested that the text of the draft be amended in two respects.

Firstly, he thinks that the references to the Doctors' and Dentists' Review Body (DDRB) might best be omitted. One of the considerations in the Ministerial discussions was whether any concessions granted on TSRB pensions would repercuss on settlements already concluded in the DDRB field. That being so, he questions the wisdom of reminding the public in the text of the reply of the possible comparison between TSRB and DDRB.

He also feels that the end of the final paragraph should be omitted. It is not necessary for the statement of the general principle, that pensions will in future always follow pay, which precedes it. Moreover, he feels that it might unnecessarily bind the Government's hand on how it will handle the announcement of future decisions on TSRB recommendations, and to that extent it is a hostage to fortune.

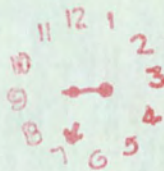
I am copying this letter to the recipients of yours of 9th March.

Yours sincerely,
Richard Stoute

Richard Stoute

ELON POL : TSRB
#6

LI 9 MAR 1984





Your Ref

with compliments

E. P. KEMP

Treasury Chambers
Parliament Street
London SW1P 3AG
Tel: Direct Line 01-233
Switchboard 01-233-3000



Blind copy : Mr Turnbull

H M Treasury
Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 3889

E P Kemp
Deputy Secretary

M S Buckley Esq
Cabinet Office
Whitehall
London SW1

16 March 1984

D. Michael

TSRB PENSIONS

I understand that you are involved in the drafting of the prepared Question and Answer which the Prime Minister might give on the TSRB pensions point, as circulated by Robert Armstrong under cover of his letter to Andrew Turnbull of 9 March.

We were a bit unhappy about one or two aspects of both the Question and the Answer, and have taken the liberty of trying our hand at redrafts. I attach a copy. I am rather reluctant to put Treasury Ministers up to circulate this cold, so to speak, and should be grateful for any comments you may have on this redraft and on how it might be best to get our thoughts on the table.

E P Kemp
E P Kemp
E P KEMP

SUGGESTED PQ FOR WRITTEN ANSWER

To ask the Prime Minister what measures the Government proposes to take in respect of pensions of certain former public servants as a result of the Government's decisions following the Top Salary Review Body recommendations for 1983-84.

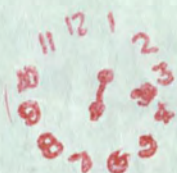
DRAFT ANSWER

In 1983 the Top Salary Review Body (TSRB) recommended new rates of salary for the judiciary, senior officers of the Armed Forces, and members of the higher Civil Service, to come into effect on 1 April 1983. On 21 July 1983 I announced that the Government had decided to increase the pay of those concerned in two stages from 1 August 1983 and from 1 January 1984. The pensions of those concerned are based on salary on or in the period immediately before the date of retirement, and therefore those who retired between 1 April and 31 July receive no benefit to their pensions. It has been represented to the Government that having regard to past experience and the date on which decisions on pay were announced those concerned might reasonably have expected their pensions to reflect an increase from 1 April 1983.

After careful consideration the Government has decided that in view of the uncertainty and expectations that may have been created it would be fair for the pensions of those in question to be calculated as if the increases which came into effect on 1 August 1983 had been implemented from 1 April 1983. It should be clear, however, that in future the pensions of retiring public servants will be calculated on the basis of actual salaries received at or in the period preceding retirement, and not on any notional or deemed rate of salary.

Geom. Bd. - TRB A6.

16 MAR 1984





huc

RW

10 DOWNING STREET

From the Private Secretary

16 March, 1984

TSRB PENSIONS

The Prime Minister has seen your letter to me of 9 March to which was attached a draft Written Answer to an arranged Parliamentary Question setting out the Government's decisions on pensions of TSRB groups. She has commented that the wording of the question, and in particular the reference to "loss of pension" implies acceptance of the premise that the Government ought to pay pensions on deemed income. She has suggested that the wording of the question could be on the lines of

"... what measures the Government proposes to take concerning the pensions of certain former public servants covered by the TSRB, following the Government's decision to defer..."

Subject to this and to any comments colleagues may wish to make, she agrees that the draft should be circulated to all members of Cabinet.

I am copying this letter to Richard Stoate (Lord Chancellor's Office), John Kerr (HM Treasury), Richard Mottram (Ministry of Defence), David Heyhoe (Lord Privy Seal's Office), Steve Godber (DHSS), Mary Brown (Lord Gowrie's Office) and to Murdo Maclean (Chief Whip's Office).

(A. Turnbull)

Sir Robert Armstrong, GCB CVO
Cabinet Office

CONFIDENTIAL

087



10 DOWNING STREET

Prime Minister

My only comment on RTA's draft is the wording of the question. The reference to "loss of pension" implies acceptance of the premise that the Government ought to pay pensions on deemed income. I suggest something like ".... what measures the Government proposes to take concerning the pensions of certain former public servants covered by the TSRB, following the Government's decision -"

Agree subject to this?

Yes +
subject - to colleague.
no

AT

14/3

CONFIDENTIAL

CC/BI



70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A084/775

9 March 1984

Dear Andrew,

TSRB Pensions

At her meeting on 7 March (recorded in your letter of that date) the Prime Minister asked me to prepare a draft of a statement, to be made by her as a Written Answer to an arranged Parliamentary Question, setting out the decisions recorded at that meeting.

I attach a draft herewith.

I am sending copies of this letter and the draft to the Private Secretaries to the Lord Chancellor, the Chancellor of the Exchequer, the Secretary of State for Defence, the Lord Privy Seal, the Secretary of State for Social Services, the Minister of State, Privy Council Office, and the Chief Whip. I should be grateful if you and they would let me have any comments on or suggestions for amendment to this draft; I will then circulate a revised draft to all members of the Cabinet for comment as agreed at the Prime Minister's meeting.

*Yours ever
Robert*

Andrew Turnbull Esq

CONFIDENTIAL

To ask the Prime Minister, what measures the Government proposes to take in respect of the loss of pension suffered by certain former public servants covered by the Top Salaries Review Body as a result of the Government's decision to defer the implementation of the Review Body's recommendations.

DRAFT ANSWER

In 1983 the Top Salaries Review Body (TSRB) like the Doctor's and Dentists' Review Body (DDRB), recommended new rates of salary to come into effect from 1 April 1983. The Government decided that the recommendations should be implemented in two stages. In each case the first stage represented an updating of the salaries payable immediately before 1 April 1983, and the second stage represented the making good of abatements of recommendations made in earlier years. For doctors and dentists the first stage came into effect from 1 April 1983; but for the TSRB groups the first stage was not brought into effect until 1 August 1983. Since pensions for all these groups are based on salary on or in the period immediately before the date of retirement, the effect upon the pensions of members of the TSRB groups who retired between 1 April and 31 July 1983 was to deprive them of any benefit to their pensions from the first stage of the TSRB recommendations on salaries.

On many previous occasions when the implementation of Review Body recommendations on salaries has been staged or delayed, pensions of retiring public servants in the groups concerned have been calculated as if the recommendations had been implemented in full from the date recommended by the Review Body. The statement which I made on 21 July 1983 about the TSRB's recommendations contained no reference to the basis upon which the pensions of members of the TSRB groups who retired between 1 April and 31 July 1983 would be calculated, and it has been represented to the Government that previous experience would have entitled them to expect that the salary increases which came into effect from 1 August 1983 would be deemed for pension purposes to have notionally come into effect from 1 April 1983, so that their pensions would benefit accordingly.

In view of this uncertainty, and the expectations to which it might have given rise, the Government has decided that the pensions of members of the judiciary, senior officers of the armed forces and members of the higher Civil Service who retired between 1 April and 31 July 1983 will be calculated as if the first stage of the increases recommended by the TSRB (which came into effect on 1 August 1983) had been implemented from 1 April 1983.

This is, however, to be regarded as an exception to the principle that pension benefits of public servants are and should be based on actual salaries. I should make it clear that it is the Government's intention that, if in future it is necessary to delay or stage the implementation of Review Body salary recommendations, this principle will be applied, and the pensions of retiring public servants in the groups concerned will be calculated on the basis of actual salaries payable at or in the period before the date of retirement and not on notional or deemed rates of salary which were not in payment on that date. It follows that the possible effects on pensions should be taken into consideration when decisions are made on the implementation of Review Body salary recommendations. I propose in future, when announcing the Government's decisions on the salary recommendations of Review Bodies, to make clear in any cases of doubt how the pensions of those concerned will be affected.



Prime Minister

You will remember that you asked me to get advice on this.

Ref. A084/711

MR BUTLER

This minute suggests that it would be all right for Mr. Gummer to receive his salary, or part of it, from the Party.

The Chief Whip has been pressing for this matter to be resolved.

You asked about payment of a salary to Mr Gummer, if he was appointed as Paymaster General and continued as Chairman of the Conservative Party. Shall I arrange a further meeting with him, the Lord President and Michael Atkin?

2. As you know, the Paymaster General can be either in or outside the Cabinet. If he is a member of the Cabinet, he is entitled to Cabinet-rank salary. FERB Yes and 5.3.

3. The official duties of the Paymaster General as such are of course negligible. Nonetheless there is no constitutional requirement that, to qualify for a Ministerial salary, a Paymaster General should spend a certain amount of time on Ministerial work. It is really a question of vulnerability to political criticism.

4. Previous Party Chairmen since the War who have been in the Government have all been in the Cabinet. All except Lord Hailsham and Lord Blakenham combined the Party Chairmanship with another substantial Ministerial post. Lord Hailsham and Lord Blakenham held the sinecure posts of Lord President and Chancellor of the Duchy respectively, but also had duties as Deputy Leader of the House of Lords.

5. There was some critical comment when Mr Gummer took over the Party Chairmanship, dropped some of his Ministerial duties, but retained his salary as a Minister of State, Department of Employment. Even then he did not drop all his Ministerial duties, and I suppose that an increase in salary from public funds (or even retaining the same salary) combined with a further loss of Ministerial responsibilities would attract renewed comment. I do not know if there are duties which Mr Gummer could be given as Paymaster General: could he, for example, be asked to assist Lord Whitelaw in advising on the presentation of Government policies? Would that be sufficiently convincing to enable the Prime Minister to meet unfavourable comment?



6. Mr Gummer could of course be Paymaster General, either inside or outside the Cabinet, but receive no Ministerial salary (or some amount less than the maximum salary set by a Statutory Order). If he was then to receive some outside remuneration in respect of his duties as Chairman of the Conservative Party, I think that it would be preferable for the payment to him to be made by the Party (rather than by any individual), so that there could be no question of improper influences.

REA

ROBERT ARMSTRONG

5 March 1984

Econ Pol: TSPB pt. 6.



COMPTROLLER

IN

cc LCO
LPS
NOD
Dress
Lord Gower
CWO
Co

JR



10 DOWNING STREET

From the Private Secretary

7 March 1984

Dear John

TSRB PENSIONS

The Prime Minister held a meeting today to discuss the pension consequences of the Government's decisions on the 1983 pay award to the groups covered by the Top Salaries Review Body. Present were the Lord Chancellor, the Chancellor of the Exchequer, the Lord Privy Seal, the Secretaries of State for Defence and Social Services, and Sir Robert Armstrong.

The problem facing Ministers was that in the absence of special action all members of the TSRB groups would receive smaller pensions than they would have done if the rates payable from 1 January 1984 had been payable from 1 April 1983. There were different effects on the different groups, which were particularly severe for those retiring between 1 April 1983 and 1 August 1983. If pensions were related to a salary deemed to be payable rather than actually paid, those settlements where deemed salaries were not used could be re-opened.

When the group had met on 9 February, it had asked Sir Robert Armstrong to consider what was involved in changing the pension arrangements of the judiciary and the armed services so that the determination of final salary for pension purposes came more into line with that in the PCSPS, thereby making pensions less sensitive to the precise date of retirement and to any staging of pay awards. This was set out in the paper attached to Sir Robert's minute to me of 27 February.

In discussion, it was agreed that changing future arrangements for pensions for the judiciary and the armed services would not contribute to resolution of the present problem and that no change should be made. In the case of the armed services, major administrative changes would be required; in the case of the judiciary, imposition of final year averaging would represent a worsening in the pension terms for 900 members. This could not be done without offering some compensating measure. (There were twelve judges affected by the issue under discussion.) After discussion, the meeting agreed that option 2 of the original proposals

/ should be

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should be adopted, i.e. backdating the 1 August 1983 increase to 1 April 1983 for pensions purposes but with no backdating of the 1 January 1984 increase. Efforts should be made to minimise the repercussions on past settlements and to prevent a repetition in the future. Attempts to re-open existing settlements should be strenuously resisted. In announcing its decision, the Government would make it clear that it was allowing an element of deeming in the present case because there was a possibility that those affected may have made decisions on their retirement in the expectation that deeming would be adopted. For the future, it would be stated that the Government would always make it clear, when announcing the terms of a TSRB pay award, what the pension arrangements would be, and that the normal presumption would be that pensions would be related to salaries payable at the time.

The Prime Minister asked Sir Robert Armstrong to draft the terms of a written answer which she might give. He should first clear it with Ministers represented at the meeting and with the Chief Whip, in view of his interest in the Parliamentary Pensions Bill. The text should then be circulated to Cabinet colleagues for comment as there could be implications for pay groups for which other Ministers were responsible.

I am copying this letter to Richard Stoate (Lord Chancellor's Office), David Heyhoe (Lord Privy Seal's Office), Richard Mottram (Ministry of Defence), Steve Godber (DHSS), Mary Brown (Lord Gowrie's Office), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew

Andrew Turnbull

John Kerr, Esq.,
HM Treasury.



Ref. A084/725

PRIME MINISTER

TSRB Pensions

BACKGROUND

Flag A

On 9 February a meeting of Ministers under your chairmanship considered the effect on pensions of the Government's decisions on the 1983 recommendations of the Top Salaries Review Body (TSRB). It had been represented that the staging of the award had had severe effects on the pensions of those retiring before 1 January 1984 and that, in particular, the deferment of the operative date from 1 April 1983 to 1 August 1983 seriously affected those retiring between those dates.

2. The meeting did not exclude the possibility of a concession on the lines of what has become known as 'Option 2' (that is, backdating the salary award from 1 August 1983 to 1 April 1983 for pension purposes), but you pointed out that if such a concession were made ways would have to be found of minimising the repercussions. Changes ought to be made to the basis on which final salary for pension purposes were determined for the judiciary and senior officers of the Armed Forces. In principle, all TSRB groups should be on the same basis. More information was needed before firm decisions were reached. I was asked to prepare a factual paper setting out relevant information as the basis for a further meeting: this is now to take place on Wednesday 7 March.

Flag B

3. The information requested is contained in the note attached to my minute of 27 February to Mr Turnbull. This shows:

(a) that in the case of the judiciary there is no technical problem about adopting the same definition of 'final salary' for pension purposes as in the case of the Principal Civil Service Pension Scheme, which applies to the higher Civil Service; but the change would require primary legislation; and it would probably be resisted by the Lord Chancellor



as worsening judges' terms of service unless it was accompanied by improvements elsewhere;

(b) that in the case of the Armed Forces it would not be possible to apply the Civil Service arrangements directly; but it would be possible to devise something with broadly the same result. The new arrangements would have a number of advantages; but they would take a considerable time to work out and introduce; and they might be somewhat more expensive to administer.

4. The note also makes the points:

(c) that changes could not be retrospective: they could not apply to those who have already retired; and

(d) that much of the current resentment arises from disappointed expectations; to prevent a recurrence it would be helpful to issue a clear statement that in future pensions will follow pay.

MAIN ISSUES

5. The main issue remains as on 9 February: what, if any, special action should be taken to mitigate the effects of the staging of the 1983 pay award on the pensions of the TSRB groups. The relevant considerations are set out in the brief submitted for the earlier meeting by Mr Gregson: for convenience I attach a copy.

Flag C

6. The meeting on 7 March will also wish to consider the following:

(i) Are the changes outlined in my note of 27 February worth making for their own sake?

(ii) Although they would not directly affect those who have retired, would introducing them make it easier to defend a concession on the lines of 'Option 2' if Ministers regard that as in principle desirable?

Are the changes worth making?

7. In principle, there seems a good deal to be said for the changes described in the note. In particular, they would avoid the 'cliff edge' effect of current arrangements for the judiciary



and Armed Forces; and they would reduce (but not remove) the anomalous effects on pensions of pay distortions, such as can arise from different treatment of the TSRB groups and their juniors (between April 1983 and August 1983, for example, there was virtually no salary differential between one-star and two-star officers). However, the Lord Chancellor, in particular, may be unwilling to commit himself to change unless he is assured that his colleagues will be ready to consider improvements in other features of judicial pension arrangement.

Would the changes make it easier to defend concessions?

8. The two main arguments against 'Option 2' identified in previous discussion are as follows:

(a) Option 2 would be inconsistent with the Government's wish to avoid basing pensions on notional pay.

(b) Option 2 would lead to complaints from others whose pay settlements have been staged: the doctors and dentists; and members of Parliament.

9. As a matter of logic, it can be argued that there is no relation between the changes suggested in the note and a concession on the lines of Option 2. However, in presentational terms it might be possible to defend a package in which:

(i) the pay increase on 1 August 1983 was backdated to 1 April 1983 for pension purposes;

(ii) the Government announced its intention of avoiding such backdating in future;

(iii) in recognition of the fact that it is more difficult to avoid such backdating if there is a 'cliff edge' effect, the Government intended to change the Armed Forces Pension Scheme and, when legislative opportunity arose, the judicial pension arrangements.

10. There are conflicting considerations regarding possible repercussions.

(a) On the one hand, the doctors and dentists actually received the first part of their pay award from 1 April 1983.



If Option 2 is adopted, the three TSRB groups will be no better treated than the doctors and dentists in terms of pension; and they will certainly have been worse treated in terms of pay. As for Members of Parliament, their pay settlement was fundamentally different.

(b) On the other hand, the pensions of hospital doctors and dentists are based on a definition of pensionable pay similar to that in the PCSPS: that is, it is subject to 12-month averaging. (General practitioners have a significantly different pension scheme and are not relevant to the present argument). It could be argued that because backdating is particularly beneficial to the judiciary (and, to a lesser extent, the Armed Forces), since their pay is based on salary on the day of retirement, they would receive a greater benefit in substance than the argument in the preceding sub-paragraph allows. Against that, if the TSRB groups had received the initial instalment of their pay award from 1 April, the doctors and dentists would have had no obvious cause for complaint.

Announcements

11. For the reasons indicated in my note it is likely to be common ground that the Government should announce that in future it does not intend to allow pensions to be based on notional salaries. This strengthens the arguments identified in Mr Gregson's brief for a formal announcement of the Government's decisions. If the meeting agrees that an announcement is appropriate, you may wish to invite the Chancellor of the Exchequer to circulate a draft.

HANDLING

12. You will wish to invite the Chancellor of the Exchequer to open the discussion. The Lord Chancellor and the Secretary of State for Defence will be able to comment both on the general issues, and the particular suggestions in my note of 27 February, as they affect the services for which they are responsible. The Secretary of State for Social Services will wish to comment



on possible repercussions on doctors and dentists, and on the bearing of his current review of pension arrangements more widely. The Lord Privy Seal can advise on possible repercussions from Members of Parliament.

CONCLUSIONS

13. You will wish the meeting to reach conclusions on the following:

- (i) Should any special action be taken to mitigate the effects on the pensions of the three TSRB groups of the staging of the 1983 pay award?
- (ii) Should changes be made in the Armed Forces Pensions Scheme and the judicial pension arrangements on the lines described in the note attached to my minute of 27 February?
- (iii) Should the Government make it clear to those concerned that in future it intends to avoid basing pensions on notional salaries?
- (iv) Announcements.

ROBERT ARMSTRONG

6 March 1984

PART 5 ends:-

AT to PM 27.2.84
and CR to AT undated

PART 6 begins:-

RTA to FERB no 84/74
5-3-84

