

PREM 19/1598

SECRET

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Police Pay

POLICE

Part One:

May 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>5.79</del>		<del>3.8.82</del>		<del>15.5.84</del>			
<del>10.5.79</del>		<del>6.8.82</del>		<del>29/5/84</del>			
<del>14.5.79</del>		<del>8.9.82</del>		<del>31/5/84</del>			
<del>18.5.79</del>		<del>13.10.82</del>		<del>5.6.84</del>			
<del>22.5.79</del>		<del>14.10.82</del>		<del>10/7/84</del>			
<del>24.5.79</del>		<del>2.12.82</del>		<del>13/7/84</del>			
<del>29.5.79</del>		<del>28.1.83</del>		<del>14/7/84</del>			
<del>29.7.80</del>		<del>8.7.83</del>		<del>2.9.84</del>			
<del>17.7.81</del>		<del>12.7.83</del>		<del>4.8.84</del>			
<del>20.7.81</del>		<del>20.7.83</del>		<del>24.8.84</del>			
<del>3.10.81</del>		<del>3.8.83</del>		<del>29.84</del>			
<del>9.10.81</del>				<del>19.5.84</del>			
<del>3.4.82</del>		<del>12.3.84</del>		<del>20.9.84</del>			
<del>21.4.81</del>		<del>26.3.84</del>		<del>14.1.85</del>			
<del>21.11.82</del>		<del>29.3.84</del>		<del>20.2.85</del>			
<del>13.5.82</del>		<del>10.4.84</del>					
<del>22.5.82</del>		<del>12.4.84</del>					
<del>7.82</del>		<del>8.5.84</del>					
<del>1.82</del>		<del>14.5.84</del>					
<del>7.82</del>							
<del>17.82</del>							
<del>7.82</del>							
<del>2.82</del>							

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ENDS

PART 1 ends:-

Ch. Exch. to Home Sec. 28.2.85

PART 2 begins:-

Home Sec. to Ch. Exch. 8.3.85.

TO BE RETAINED AS TOP ENCLOSURE

**Cabinet / Cabinet Committee Documents**

Reference	Date
E(PSP)(84) 4 <sup>th</sup> Meeting	17/07/1984
PSP(O)(84) 8 <sup>th</sup> Meeting, item 2 – Limited Circulation Annex	31/05/1984
PSP(O)(84) 4 <sup>th</sup> Meeting, item 2 – Limited Circulation Annex	12/03/1984
PSP(O)(84) 9	07/03/1984
PSP(O)(84) 14	22/02/1984
E(PSP)(84) 2 <sup>nd</sup> Meeting, item 2 – Limited Circulation	29/02/1984
E(PSP)(83) 4 <sup>th</sup> Meeting	13/07/1983
E(PSP)(83) 12	07/07/1983
PSP(O)(83) 4	17/01/1983
PSP(O)(82) 40	16/12/1982
PSP(O)(82) 39	15/12/1982
PSP(O)(82) 36	02/12/1982
PSP(O)(82) 35	30/11/1982
PSP(O)(82) 34	24/11/1982
PSP(O)(82) 33	24/11/1982
CC(82) 40 <sup>th</sup> Meeting, item 4	29/07/1982
CC(79) 1 <sup>st</sup> Meeting, extract	10/05/1979

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 J. Gray

Date 18/3/2014

**PREM Records Team**

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NBPM *at the top*  
 AT 1/3  
 CCNO

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

28 February 1985

The Rt Hon Leon Brittan QC MP  
 Secretary of State for Home Affairs  
 Home Office  
 Queen Anne's Gate  
 LONDON SW1

A handwritten signature in dark ink, appearing to read 'Leon Brittan'.

**PAY OF POLICE CHIEF OFFICERS**

You wrote to me on 20 February, proposing that the pensions of officers who retire between 1 September 1984 and 30 August 1985 should be calculated as if the pay increase had been implemented in full on 1 September 1984.

I am afraid I cannot go along with this. With great difficulty we have established the principle that pay for pension purposes is pay at the time of retirement. Various groups such as the judges, senior officers in the armed forces - and indeed MPs - have all been already affected by this ruling. The Review Bodies are expected to recommend high increases this year and it is therefore possible that we shall again want to adopt some form of staging for the groups they cover. I simply do not see how I could ring-fence an exception for Police Chief Officers.

In agreeing to your proposal that the increases for Police Chief Officers should be staged, Peter Rees in his letter of 17 January pointed out that this would bring purely temporary benefits. A more lasting benefit would, of course, be gained if you were to abate all the proposed increases by 1 per cent and pay them from 1 September. The pensions problem would then disappear. Given the importance you have placed on staging in your discussions with the Association of Chief Police Officers, together with the importance I attach to upholding the position on pensions on the lines agreed by the Prime Minister on 13 April 1983, I think this might offer a way forward.

I am copying this letter to the Prime Minister, the other members of E(PSP), George Younger, Douglas Hurd and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Nigel Lawson'.

NIGEL LAWSON

Police : Police Pay

May 1977

ET MAR 1987



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QUEEN ANNE'S GATE LONDON SW1H 9AT

20 February 1985

*D. Nigel,*

PAY OF CHIEF POLICE OFFICERS

In my letter of 14 January I outlined the likely basis of the negotiations on the pay of senior police officers, following the review carried out by the Police Negotiating Board.

During the course of the negotiations there were some adjustments. For example, the number of salary bands for Chief Constables was cut from eleven to six, not seven; the effect of this was to give rather larger increases to the Chief Constables and Deputy Chief Constables of some provincial forces, including South Yorkshire, Northumbria, and South Wales, at a total cost of £15,750. However, there was no change in the proposed salary for the Chief Constables in the largest forces, which remained at £37,500. The difference in cost at the end of the negotiations and the official Side's original proposals is about £50,000 in a full year. We shall, of course, save far more than this in reducing the number of Commander posts in the Metropolitan Police.

The main difficulty arose over implementation. The Staff Side wanted the increases to be implemented in full from the settlement date of 1 September 1984. The local authorities were prepared to agree to this, but the Home Department's representatives reserved the Government's position. Because of this, the Staff Side were not prepared to make an agreement, thus keeping open the prospect of conciliation and arbitration.

I saw representatives of the Association of Chief Police Officers (ACPO) on 11 February. I made it clear that the Government believed that senior police officers should be properly paid and the negotiations had produced new salary levels which were acceptable to all those concerned. But I explained why we considered that pay increases of this order should be phased, pointing out that the last TSRB settlement of 6.5% had been phased. They told me that there were very strong feelings among their members on this issue. They considered the review had shown that substantial pay increases were justified; the responsibilities on senior police officers throughout the country had been exceptionally onerous in the last eleven months and therefore the increases should be paid in full from September, especially as the savings from phasing would be very small. (They are about £130,000 for the United Kingdom). I made it clear that, nonetheless, I must insist on phasing and that no useful purpose would be served by resort to arbitration, as I would have the right to overrule an award, and was prepared to do so.

ACPO then drew my attention to the particular unfairness to those senior officers who had just retired or would retire shortly. The Chief Constable of the West Midlands is retiring in the next few weeks, several months before he need do so, so that his successor can be in post for a year before the local government reorganisation in April 1986. The Deputy Commissioner of the Metropolitan Police had to retire last month on grounds of ill-health. The effect on these officers, and a number of others, would be a permanent reduction in their pensions. I made it clear that it was not Government policy to adjust pensions if pay increases were phased, and I referred to the Prime Minister's

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statement on 13 April 1984. They pointed out that this statement referred to the Review Bodies, that no similar statement had ever been made about police pensions and they were entitled to assume that an adjustment would be made, particularly as the Edmund-Davies Report had recommended that adjustments should be made to the pensions of those who retired if a pay increase was phased. That recommendation related to the specific pay award recommended by the Edmund-Davies Committee, but ACPO argued that it had never been stated that the same principle would not apply in future.

I know that the Prime Minister's statement referred to the general principle of basing pensions on rates of salaries payable and I am alive to the risk of repercussions resulting from any concession. However, I judge that a good deal of the difficulty over phasing would be removed if we could agree that on this occasion the pensions of those officers who retire between 1 September 1984 and 30 August 1985, should be calculated as if the pay increase had been implemented in full on 1 September 1984, while making it clear that no adjustments of this kind will be allowed on police pensions in future. I hope you will be able to agree to this: otherwise we may find ourselves in a public wrangle with ACPO, with accusations that the Government is treating senior police officers shabbily.

I am copying this letter to the Prime Minister, the others members of E(PSP), George Younger, Douglas Hurd and Sir Robert Armstrong.

*Law,*  
*Law*

**CONFIDENTIAL**



Police: Police Pay: May 1979

21 FEB 1985





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AT  
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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Leon Brittan QC MP  
Secretary of State  
Home Office  
50 Queen Anne's Gate  
London  
SW1H 9AT

17 January 1985

Dear Secretary of State,

**PAY OF CHIEF POLICE OFFICERS**

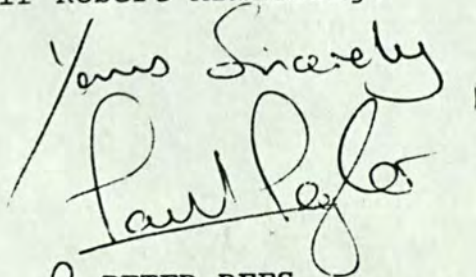
You wrote on 14 January to the Chancellor - who is abroad - about the pay of Chief Police Officers.

The increases which the PNB seems likely to recommend of course run directly counter to our general approach to pay. They are based on comparability and for any other public service group would be unacceptably high: some, as you point out, are over 10 per cent. Staging the awards as you propose has some presentational advantages, but purely temporary benefits. The base from which the September 1985 negotiations will start is unaltered.

Nonetheless, because of the current special circumstances, I agree that we should not attempt to moderate the proposals other than by staging them as you propose. I agree that you should implement the staging, if the PNB does not recommend it.

On a point of detail, I should be grateful if you, and your representatives in the PNB, would avoid endorsing suggestions that there is a "right" or minimum differential for Assistant Chief Constables. The justification for increasing pay for these posts should be the current problems of recruitment to them.

I am sending copies of this letter to the Prime Minister, the other members of E(PSP), the Secretaries of State for Scotland and Northern Ireland, and Sir Robert Armstrong.

Yours Sincerely,  


PETER REES

(Approved by the Chief Secretary  
and signed in his absence)

POLICE: Pay: May 79.

118 JAN 1985

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QUEEN ANNE'S GATE LONDON SW1H 9AT

14 January 1985

Nigel,

PAY OF CHIEF POLICE OFFICERS

The two sides of the Police Negotiating Board took part earlier this year in a joint review of the pay of chief police officers, including an element of job evaluation. The Staff Side insisted that the results of the review should be taken into account in negotiating the 1984 pay settlement. A joint working party was therefore set up to consider the results of the pay review and to report back to the Board by the end of the year. The working party has completed its work and the Board will be meeting on 18 January to negotiate the 1984 pay settlement in the light of the working party's report.

Although the working party had no power to negotiate, its recommendations will clearly carry a good deal of weight. The review had highlighted two areas of particular difficulty - the pay of the chief constables in the largest forces, which was significantly less than that for posts of comparable weight in public and private sector organisations, and the narrow differential between Assistant Chief Constables' pay and that of Chief Superintendents, the rank immediately below them.

For the Chief Constables, the Working Party has proposed to reduce the present 11 band salary structure for chief constables (based on the population of force areas) into 7 salary bands, with the largest increases applying to the top band. The salaries for chief constables in England (and Scotland) would range from £29,500-£37,500. Deputy Chief Constables would continue to receive 80% of the chief constables' scale. This compares with the Metropolitan Police Commissioner's salary of £45,500, which is linked to the pay of Permanent Secretaries and was not covered by the Police Negotiating Board's review.

The ACC's differential has been a problem since the Edmund-Davies Committee reported. The differential they recommended was 8.2%. This was probably insufficient and it has since fallen to 6.9%. Police authorities are having increasing difficulty in attracting well qualified chief superintendents to apply for ACC posts. The Staff Side representatives on the working party took the view that, in order to overcome this problem, the differential needed to be increased to 15%. The Official Side agreed that the differential needed to be improved, but considered that this might best be achieved by the introduction of a three-point scale based on service in the rank, with the existing differential continuing to apply on promotion but rising to 10% after two years. The Staff Side accepted the principle of the three-point scale but in negotiation they are likely to press for a maximum differential of 15%. I believe that the Official Side's proposal is an ingenious and relatively inexpensive way of overcoming a difficult problem: it would add 6.7% to the pay bill for ACCs. I therefore propose to authorise my representatives on the Board to support it, but to reserve my position if the Official Side seem disposed to make further concessions.

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The Rt Hon Nigel Lawson, MP

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There would be comparable increases for the senior ranks in London.

Overall, a settlement on these lines would add 7.1% (£0.44m) to the senior officers' pay bill in a full year in England and Wales. Because of the restructuring, individual officers in the same rank would receive different percentage increases, but for the three main ranks the average increases would be 8.27% for Chief Constables, 7.2% for Deputy Chief Constables and 6.68% for Assistant Chief Constables. However, some officers would receive increases of less than 5% and a few, including the chief constables of the largest forces, increases of over 10%.

I consider that a settlement on these lines would be acceptable. Nevertheless, I believe that implementation should be phased, as was done with the 1984 TRSB settlement. I have in mind that 5% of the increases should be paid with effect from 1 September 1984 and the balance (if any) from 1 April 1985. This would not, of course, be welcome to the Staff Side, and it may not be possible to get a negotiated settlement incorporating phasing. If the Official Side seem disposed to negotiate an agreement which does not incorporate phasing, however, my representatives will be instructed to reserve my position on this point. If necessary, I would be prepared to impose a phased implementation, since any agreement is subject to my approval.

I am sending copies of this letter to the Prime Minister, other members of E(PSP), George Younger and Douglas Hurd, and to Sir Robert Armstrong.

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POLICE : Police "Ray" : May 1979

1985 JAN 4



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CC MASTER

10 DOWNING STREET

*From the Private Secretary*

20 September 1984

POLICE PAY

The Prime Minister held a meeting today to discuss police pay. Present were the Lord President, the Home Secretary, the Secretaries of State for Education and Science, Social Services, Employment, the Chief Secretary, the Chancellor of the Duchy of Lancaster, the Minister of State, DOE, Lord Gray and Mr. Gregson.

The Home Secretary said the official side were meeting on Monday 24 September to consider the line it should take at the meeting of the Police Negotiating Board on Wednesday 26 September. In his letter of 7 September he had set out the terms of the package which the conciliator, Professor Hunter, had proposed. He recommended to colleagues that it be accepted. The Police Federation had already stated publicly that it would accept the proposals and the local authorities would do so if they were given the same assurances about finance as in previous years, ie the usual 50% police grant, an increase in the 1984-5 total for relevant expenditure and in the block grant cash limit to cover the extra pay over 5% and a disregard of the excess when calculating the liability to grant abatement.

He believed that there were a number of advantages to the package. The switch to the use of the underlying rate of the Average Earnings Index would eliminate the risk of settlements based on freak month to month movements and would save 2½ to 3 per cent on next year's settlement without conceding anything extra this year. He believed three years was a reasonable period to elapse before the pay arrangements were next reviewed. With the other parties ready to accept the terms, the Government would be blamed for failure to reach agreement. The next step would be arbitration, though this would be unlikely to produce a package which was significantly better from the Government's point of view. Although the Government had the right to override the arbitration award, he did not believe this should be attempted in the current circumstances.

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The Secretary of State for Education and Science said the assurances sought by the local authorities would conflict with the position he had taken in relation to teachers' pay where he had argued that no extra finance would be made available to improve the arbitration award. The Chief Secretary shared this concern. While he recognised the attractions of the Hunter proposals he also regretted that it would not be possible to look again at the Edmund Davies formula for another three years. He suggested that, in making its response, the Government should reserve the right to review the arrangements earlier in exceptional circumstances.

The Home Secretary said the addition to the block grant cash limit in 1984-5 was very small - about £30,000. Given the arguments over the financing of the costs of policing the coal dispute, it would be unwise to seek new arrangements this year. In order to minimise the repercussions for future years, he could however preface his acceptance of the assurances sought by local authorities with the words "bearing in mind the special circumstances of this year". He did not think it wise to reserve an option to bring forward the next review. If circumstances arose which were truly exceptional, it would be open to the Government to argue for an earlier review at the time, but to refer to this now would merely create suspicion. He would however couch his acceptance in terms of "a further review after 1987" rather than "no review before 1987".

Summing up the discussion, the Prime Minister said the Home Secretary should accept, in the terms he had suggested, the terms of the package proposed by the conciliator and should offer the local authorities the assurances they were seeking about financing in 1984-5.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), Elizabeth Hodgkinson (DES), Callum McCarthy (DTI), Steve Godber (DHSS), David Normington (Department of Employment), John Gieve (Chief Secretary's Office, HM Treasury), Paul Britton (Office of the Minister for Housing and Construction), Mike Bailey (Office of the Minister for Local Government), D. McFadyen (Lord Gray's Office) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

VSCAAP

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CC No



QUEEN ANNE'S GATE LONDON SW1H 9AT

19 September 1984

*D. Nigel,*

POLICE PAY

*in meeting folder*

Thank you for your letter of 14 September about the proposals put forward by Professor Hunter as a possible basis for a conciliated settlement on police pay.

I understand that a meeting has now been arranged after Cabinet tomorrow to discuss all this. But I thought it would be helpful to let you have my response.

As you know, the Police Federation have already said publicly that they are prepared to accept these proposals. Although the views of the Official Side of the Police Negotiating Board will not be known until they meet on 26 September, informal soundings indicate that there is a very good chance of a settlement, but only if the local authorities are given the assurances set out in my letter of 7 September over the financing of the settlement and a disregard of the excess over 5 per cent when calculating liability to grant abatement. The amount may be relatively small, but police authorities have already had to make substantial cuts in their budgets to meet the costs of the miners' dispute on which they are currently pressing me hard for further assistance because of the serious effects which it is having and will have next year on policing in their areas.

The Chairman of the Official Side has made it clear that they will not be prepared to negotiate a settlement above 5 per cent on 26 September unless they are given the assurances that they have received in the past. There is no prospect of negotiating a settlement at 5 per cent or less: while the Police Federation are prepared to accept the package prepared by Professor Hunter, they will not accept anything less. Unless we give the Official Side the usual assurances before 26 September, therefore, we shall have lost the prospect of a settlement. The issue will go straightaway to arbitration and both sides will put the blame squarely on the Government for the failure of conciliation. I need hardly emphasize how undesirable for us it would be in present circumstances, when the police are seen as bearing the brunt of the miners' dispute, if after recent headlines that the police were to receive a pay rise of 5 per cent or slightly more, we were to be shown as haggling over 0.13 per cent.

The Official Side at the meeting of the PNB on 17 August, as Douglas Hurd said in his letter to you of 24 August, agreed that the results of the review should be taken into account in this year's settlement, and their conclusions were reflected in the 3.34 per cent increase which they offered on 28 August and which led to the present attempt at conciliation. It is not now open to us, in the middle of the conciliation process, to ask them to go back to square one and seek to take the results of the review into account next year instead. Nor is it reasonable to expect the PNB, having conducted a full-scale pay review this year, to embark on another in less than three years. It is therefore unrealistic to suppose that we could improve, within the PNB machinery, upon the arrangements which Professor Hunter has proposed for the future updating of police pay which, as I indicated in my letter of 14 September, I regard as practicable and worthwhile improvements on the present ones.

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The Rt Hon Nigel Lawson, MP

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The savings which these proposals offer are not purely short-term. The change from the actual index of average earnings to the underlying index as the basis for determining the annual police pay settlement is expected to produce savings of some 3 per cent in next year's settlement. Furthermore, it will achieve them automatically, without the risks of further negotiations. The change will also provide a more realistic basis for settlements in subsequent years and will avoid the risk under the present arrangements of excessively high settlements produced by freak monthly figures.

I am convinced that we should encourage an early settlement on the basis of Professor Hunter's proposals. It is always possible to conceive of something more to aim at; but it is very doubtful whether arbitration would produce anything better; and in the process we should be the subject of extremely unwelcome criticism in the eyes of the public, on grounds where we would seem to have a poor and unpopular case. I am sure that we must give the local authorities the usual financial assurances and I very much hope that you and colleagues will agree to this before 26 September.

Copies of this letter go to the Prime Minister, to the members of E(PSP), the Secretaries of State for Scotland and Northern Ireland and to Sir Robert Armstrong.

*Law,*  
*Law*

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Blue: bay May 7<sup>th</sup>.

E.R.  
**CONFIDENTIAL**

PRIME MINISTER

19 September 1984

POLICE PAY

Leon Brittan sought colleagues' agreement to a pay package of 4 elements:

- (1) a general increase of 5.4% this year;
- (2) no increase this year on the 2 lowest points on the Constables' scale;
- (3) a change to the use of the underlying rate of the average earnings index for calculating pay increases in 1985;
- (4) a further review after the 1987 settlement.

The Chancellor objects to elements (3) and (4), and is unwilling to increase the block grant cash limit this year to accommodate a pay settlement costing more than 5%.

We agree with the Chancellor that the fourth element of the package is unacceptable. It commits us to automatic pay increases up to and including 1987, and probably beyond. However, it may be difficult to reject the third element of the package. The police negotiators probably want 1984 and 1985 to be considered together. There is some advantage to

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the Government in doing this. The May earnings index, to which police pay is linked at the moment, is artificially low this year because most miners - the highly paid group - are on strike. A strict interpretation of the formula would give the police only 5% this year. It is worth offering slightly more (5.4%) this year in order to get away with around 7.5% in 1985, rather than a figure as high as 10% or more, which is likely to occur as this year's distortion in the index unwinds itself. If we don't accept the 1985 arrangement, there is no point in offering more than 5% this year. In any case, it will be difficult now to secure 5% because at their conference last week, the Police Federation publicly "accepted" the 5.4% figure.

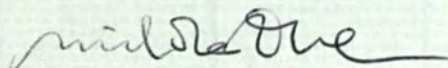
We would recommend that at tomorrow's meeting you should try to secure a compromise position, along the following lines:

- Acceptance of the first 3 elements in the package, and soften the wording of the third element so that it reads "a change to the use of the underlying rate of the average earnings index as a starting point for negotiating pay increases in 1985". The significance of this change is that it would allow the local authority representatives more room for manoeuvre than is allowed by the current automatic indexing arrangements. In particular, they could consider force strengths, recruitment and ability to pay.

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- The fourth element should either be dropped altogether or amended to bring forward the next review to 1986.

Leon Brittan will argue that any tampering with the package will inevitably lead to arbitration, with its uncertain outcome. But the uncertainty cuts both ways, for the police and the local authorities. The question to consider is whether the arbitrator would feel bound to (or feel able to) pass judgement on the fairness of an automatic indexing arrangement as far ahead as 1987. The Home Office must have a reasonable chance of dissuading him from so doing. In which event, there is an opportunity to secure at least as favourable a deal for 1984 and 1985, without a cast iron commitment beyond that.

  
NICHOLAS OWEN

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Prime Minister  
See also Policy Unit note  
which suggests a compromise  
AT 19/9

P.01390

PRIME MINISTER

Police Pay Arrangements

BACKGROUND

FLAG A

Since 1979, increases in police pay have been determined by the updating formula recommended by the Edmund-Davies Committee, which links them with the <sup>actual</sup> increase in the May figure of the Department of Employment's Average Earnings Index. It was agreed in July last year (E(PSP)(83)4th Meeting) that the Police Negotiating Board (PNB) should review the working of the Edmund-Davies arrangements. It was recognised that the review was unlikely to result in any radical changes, since it was being conducted within the Edmund-Davies framework, but the Government hoped that a more flexible application of the comparability formula would emerge which would enable the Official Side of the PNB to press for more moderate increases in the future.

2. The review coincided with a particularly low figure (initially 4.8 per cent but subsequently revised upwards to 5 per cent) for the Average Earnings Index for May, partly as a result of the miners' strike.

3. In July the Home Secretary proposed that the right way to handle the review and the 1984 settlement was:

i. To base the 1984 settlement on the May Index figure, low though it was.

ii. To deduct 1.1 per cent from the Index figure in 1985 on the grounds that the review had shown that the formula had operated too generously in the past and that an adjustment of

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that order was justified.

(The Home Secretary acknowledged that the 1985 Index figure would probably be about 2.5 per cent higher than the underlying Index to compensate for the statistical quirk this year, so that a downward adjustment next year would be particularly desirable.)

iii. To make no other changes as a result of the review.

FLAG B  
4. The Ministerial Sub-Committee on Public Sector Pay (E(PSP)(84)4th Meeting) considered these proposals on 17 July. They agreed that the settlement for 1984 should be based on the May Index figure but they wanted to leave open the possibility of modifying the pay arrangements for 1985 and beyond in the light of the review, and following further work by officials.

FLAG C  
5. In his letter of 7 September to the Chancellor of the Exchequer the Home Secretary has explained that there has now been conciliation by the Deputy Chairman of the PNB. Both the Official Side and the Staff Side have been asked to consider a package involving:

i. A general increase of 5.4 per cent in 1984.

ii. No increase in 1984 on the two lowest points on the Constables' scale.

(i. and ii. together produce a 5.13 per cent increase in the pay bill.)

iii. A change to the use of the underlying rate of the Average Earnings Index (as opposed to the actual May figure) for 1985.

(This means that the 1985 settlement is likely to be around 7.5 per cent rather than 10 per cent, because there will be no catching up on account of this year's statistical quirk.)

iv. A further review after the 1987 settlement.

The Home Secretary seeks agreement to this package.





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It has since been announced publicly that the Police Federation has accepted the conciliator's proposals. The Home Secretary also asks that the local authorities should be given the same assurances about finance as in previous years, ie "the usual 50 per cent police grant, an increase in the 1984/85 total for relevant expenditure and in the block grant cash limit to cover the excess over 5 per cent and a disregard of the excess when calculating the liability to grant abatement".

FLAG D

6. In his reply of 14 September the Chancellor of the Exchequer accepts the proposed level of settlement this year but is unwilling to accept that the Average Earnings Index should determine police pay in 1985, 1986 and 1987 and that any further review of the Edmund-Davies arrangements should be deferred until after the 1987 settlement. He is also unwilling to give the assurances on financing sought by the Home Secretary. *The Home Secretary has responded to the Chancellor's letter.*

FLAG E

MAIN ISSUES

7. There are two main issues:

- i. whether the package proposed by the conciliator is adequate to justify forgoing the possibility of changing the Edmund-Davies arrangements until after 1987;
- ii. what the arrangements for financing the 1984 settlement should be.

The conciliator's package

8. It is clearly unwelcome to face the prospect of police pay settlements in the three years 1985-87 related to the Average Earnings Index. A review of police pay close to the likely date of the next General Election is also unattractive. The Home Secretary will however probably argue that:

- i. If the Official Side do not accept the conciliator's proposals the Police Federation is likely to exercise its unilateral right to take the issue to arbitration. Bearing

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in mind the inconclusive nature of the material which emerged from the review, there can be no guarantee that the arbitrator's award will be significantly better than the conciliator's proposals.

ii. Realistically there has never been the prospect of getting much out of this year's review; the conciliator's proposals bring some short term advantages - a reasonable settlement this year, no catching up next year, and some action on Constables' starting salaries (one of the major concerns about the working of the existing arrangements).

iii. This year is not a good year for a major row about police pay.

9. The decision is likely to turn very much on the political judgement about iii..

#### Financial arrangements

10. On the arrangements about financing the 1984 settlement, the issues are mainly ones of principle and presentation. On the assumption that the conciliator's proposal for 1984 is accepted, the amount of money involved is small (the difference between 5 per cent and 5.13 per cent). It will be a matter of principle to the local authorities to keep to the arrangements which they have enjoyed in past years, under which they are largely insulated from the financial effects of the Edmund-Davies arrangements. There is however a major presentational problem over consistency of treatment with the financing of the recent teachers' arbitration award of 5.1 per cent, which is to be found from within local authorities' existing resources. The Chancellor of the Exchequer is also concerned about the implications for this year's local authority white collar negotiations which are still in progress.

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11. There is again a difficult political judgement to be made. The Home Secretary will draw attention to the special problems he has this year over police financing. Although the amount involved is small, a disagreement with the local authorities on this matter is likely to add to friction over financing of the policing costs of the miners' strike.

Timing

12. Although these decisions are difficult, they must be taken quickly. The Official Side has to settle its attitude to the conciliator's offer on Monday, in preparation for the meeting of the Police Negotiating Board on Wednesday 16 September. Now that the Police Federation has publicly accepted the conciliator's offer any delay in making clear the Official Side's response could provoke public controversy about police pay.

HANDLING

13. You will wish to ask the Home Secretary to explain and justify his proposals. The Chief Secretary, Treasury should be asked to speak to the points raised in the Chancellor of the Exchequer's letter of 14 September. The Secretary of State for Employment will have views on the implications for policy on pay generally. The Secretary of State for Education and Science, the Minister for Local Government and the Secretary of State for Social Services should be asked for their views. The Secretary of State for Scotland, as a police Minister, may wish to speak in support of the Home Secretary's proposals.

CONCLUSIONS

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

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i. whether to accept the package proposed by the conciliator, and to forgo the possibility of changing the Edmund-Davies arrangements until after 1987;

ii. whether the local authorities should be given the assurances which they are seeking about financing the 1984 settlement.

*PLG*

P L GREGSON

19 September 1984

CONFIDENTIAL



CCNO

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

The Rt Hon Leon Brittan QC MP  
Secretary of State for the Home Department  
Home Office  
Queen Anne's Gate  
London SW1H 9AT

14 September 1984

A handwritten signature in dark ink, appearing to read 'Leon Brittan'.

POLICE PAY

You wrote to me on 7 September, describing the proposals which the conciliator has made on police pay. I understand these are to be discussed by the Police Negotiating Board on 26 September.

In present circumstances, I would be willing to accept proposals (i) and (ii) in your letter, although they would result in a settlement higher than we envisaged in E(PSP) on 17 July (and one higher than that awarded to most other public service groups). However, I cannot agree to increase the 1984-85 block grant cash limit nor to disregard costs above 5 per cent. The amount involved is, as you say, marginal and should not create difficulties for the local authorities. But to concede it would undermine the line which both Keith Joseph and I have taken on the recent teachers' arbitration award and would also be unhelpful vis-à-vis the local authorities' APT&C negotiations which are still incomplete.

Professor Hunter's remaining two proposals give me considerable difficulty. Taken together they would rule out any change in the existing arrangements for police pay until 1988.

I recognise the importance of avoiding confrontation with the Police Federation over pay in present circumstances, and the risk that, should you reject the conciliator's proposals, the

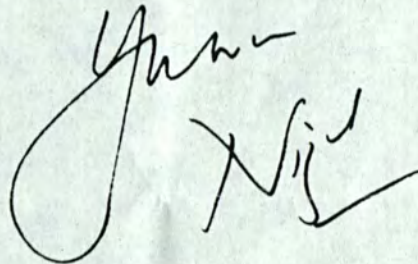
PERSONAL AND CONFIDENTIAL

-2-

Police Federation are likely to exercise their rights of unilateral access to arbitration, with uncertain results. But the saving which the proposals as a whole offer, although welcome, is purely short-term. The problems with the existing formula remain. We have already agreed that officials should examine the alternatives open to us, following the PNB's recent review. I am sure this is the right approach.

I therefore think it might be helpful to have a further discussion of our long-term objectives for police pay, and the way in which these might be reconciled with the handling of this year's negotiations.

Copies of this letter go to the Prime Minister, to the members of E(PSP), the Secretaries of State for Scotland and Northern Ireland and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Nigel Lawson', with a large, stylized initial 'N' and 'L'.

NIGEL LAWSON

PERSONAL AND CONFIDENTIAL

Police

May 79

Pay



CONFIDENTIAL

B/F with Chancellor's  
response AT 12/5

Superseded by minute  
of 19/5

MR TURNBULL

12 September 1984

POLICE PAY

This is an especially sensitive subject this year. The police are coping magnificently with exceptional demands but their pay bill is a major problem for local authorities and their special treatment is causing resentment elsewhere in the public sector.

The review of police pay was set up as an attempt to break from the automatic link to the earnings index. A review within the framework of the Police Negotiating Board now seems unlikely to decouple police pay from the Edmund-Davies formula. Nor is the arbitrator (Professor Wilson, Professor of Law at Southampton University) likely to end the link: his terms of reference will probably keep him within the existing rules and in any case, his (very limited) track record as an arbitrator has favoured the unions.

The review has therefore failed to achieve its main objective, but it can secure useful savings. The package favoured by Leon Brittan offers savings of 2% on the pay bill over 1984 and 1985, compared to what would otherwise be paid according to the present formula. Whereas the present formula would deliver a 5% increase in pay rates this year and perhaps 10% next, the proposed package would deliver

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5.4% this year, and perhaps 7.5% in 1985 . This would save us £30 million in England alone in 1985, on a pay bill of £1.5 billion. But the package commits us to the indexing up to and including 1987, rules out any review until 1988, and denies us the objective we are seeking, namely, an arrangement which gives the police a fair deal but at the same time takes account of what we can afford and the ease of recruitment.

#### Implications for Public Sector Pay

The level of police pay, and the automatic settlement, are becoming increasingly embarrassing to us in other negotiations, notably with the teachers. Keith Joseph has made it very clear to local authorities that there is no more money available to meet the arbitral award of 5.1% for the teachers yet Leon Brittan is proposing more money now and, by implication, as much as local authorities need for police pay over the next 3 years, merely to secure "a possible speedy settlement". Public sector pay will become a real threat to public expenditure control over the next few years. We won't contain it if we are so uneven in our approach.

#### The Options Available

The options facing us therefore are:

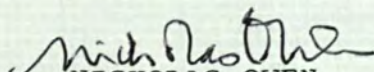
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- (a) Accept the package and provide the financial assurances needed for it, as Leon Brittan suggests.
- (b) Accept the first three elements of the package only. This freezes the unnecessarily high starting salaries for a year and gives us useful savings in 1984 and 1985, but leaves open possibilities to set up an independent review of pay arrangements in 1986.

We favour option (b). We should reinforce the local authorities' negotiating hand by declining to give assurances on additional financing for this year. The sum in question is trivial (the difference between 5.13% on the pay bill and the 5.0% already pledged for police pay, equal to £2 million for England, Wales and Scotland). This would signal the Government's concern about pay costs and dissuade the local authority representatives from committing themselves to having no review until 1988.

The Chancellor will be replying shortly. If, as we expect, he opposes Leon Brittan's proposed line, it would be advisable, in our view, for the Prime Minister to chair a meeting herself, in view of the sensitivity of the subject. E(PSP) is too large and in any case, if, as seems quite possible, the Chancellor is away, Leon Brittan would take the chair. We suggest that Tom King, Keith Joseph and Norman Tebbit be invited to attend the meeting.

  
NICHOLAS OWEN

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B/R with Treasury response BT 10/9 CC10



QUEEN ANNE'S GATE LONDON SW1H 9AT

7 September 1984

2 Nigel,

POLICE PAY

Douglas Hurd's letter of 24 August reported further developments in the police pay negotiations. At the meeting of the Police Negotiating Board on 28 August, the Staff Side claimed that, in the light of the information produced by the pay review, the figure of 5% (the final May average earnings index figure) should be adjusted to compensate for the deterioration in police conditions of service since May 1979 compared with those in the economy as a whole, such as increased police pension contributions, no reduction in the working week, inadequate increases in annual leave and the absence of fringe benefits. Since these adjustments would be a matter for negotiation, the Staff Side did not put a specific figure to their claim.

The Official Side's response was they accepted the need for a suitable mechanism for keeping police pay up-to-date, but as the result of the pay review, they believed there should be changes in the way the average earnings index was used to calculate increases in police pay. They proposed a change in the base date for calculating police pay, and the use of the underlying (rather than the actual) index of average earnings which would be compared with average police salaries. Using this revised system, they calculated the increase necessary this year to keep police pay up-to-date was 3.3%. The Official Side also tackled the problem of high starting salaries and proposed that there should be no increase this year on the two bottom points of the Constables' scale and increases of only 1.1% and 2.2% on the third and fourth points of the scale. The result would be an increase of 2.92% on the pay bill. The Staff Side reaction was that the Official Side's offer provided no basis for negotiation and disagreement was therefore registered.

Under the Board's constitution, the next step is conciliation, followed by a reference to arbitration if necessary. The Board's Deputy Chairman, Professor Hunter, had an exploratory meeting with the secretaries of the Official and Staff Sides on 5 September. The outcome was a proposed package, which would involve:

- (i) a general increase of 5.4% for the federated ranks in 1984;
- (ii) no increase in 1984 on the two lowest points on the Constables' scale;
- (iii) a change to the use of the underlying rate of the average earnings index for calculating pay increases in 1985; and
- (iv) a further review after the 1987 settlement.

The net result of (i) and (ii) is an increase of 5.13% on the pay bill. The change to using the underlying index should produce a significantly lower settlement next year than the 10% which Tom King predicted in his letter of 16 July, and would be a major change to the system as the result of the review. We have, of course, been aiming to secure a change of some kind arising from the review, and what is proposed is both practicable and well worth having.

The Rt Hon Nigel Lawson, MP.

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/cont ....

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2.

This package was taken away for further consideration by both Sides. I would regard a settlement on these lines as acceptable and I hope my colleagues would agree. However, I do not think the local authorities will be prepared to settle unless we give them the same assurances as they have been given in the past on financing the settlement, i.e. the usual 50% police grant, an increase in the 1984/85 total for relevant expenditure and in the block grant cash limit to cover the excess over 5% and a disregard of the excess when calculating liability to grant abatement. I appreciate that it would be only marginally over the 5% already allowed, but the Chairman of the Official Side made it quite clear to me, when I met him in July, that the local authorities would not have been prepared to settle at over 5% without the guarantees. I do not think we should jeopardise a possible speedy settlement by withholding them, thus putting the whole issue to the risks of arbitration.

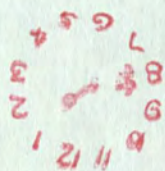
Copies of this letter go to the Prime Minister, other members of E(PSP), to George Younger and Jim Prior and to Sir Robert Armstrong.

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CONFIDENTIAL

Police pay

May 79



9 SEP 1981

**CONFIDENTIAL**

CE NO



HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

24th August 1984

WBM  
M  
24/8

Dear Nigel,

POLICE PAY

In the light of Barney Hayhoe's letter of 14th August to Leon Brittan, I thought you would like to know where we now stand on police pay.

At the Police Negotiating Board meeting on 17th August, the Official Side firmly resisted the temptation to reach a quick settlement at 4.8% at the price of burying the pay review. Negotiations were complicated by the knowledge that a strong party on the Staff Side were disposed to seize on any excuse for walking out and considerable effort was needed to keep the negotiations going. The sticking point for the Police Federation was the date on which any changes arising from the pay review should take effect: they wanted the results of the review swept up in this year's settlement, while the Official Side wished to take the results of the review into account in negotiating the 1985 settlement. Finally, to avoid registering formal disagreement, and so precipitating a walk-out with its unwelcome publicity, the Official Side agreed to discuss the pay review in the context of the 1984 settlement.

In view of this, the Police Federation withdrew the claim for an increase of 4.8% which had been tabled at the previous meeting, together with the resolution which would have had the effect of endorsing the continued application of the Edmund-Davies formula and burying the salary aspects of the pay review. A new claim will be tabled at the next meeting on 28th August, when the negotiations will begin again with a clean slate.

We do not yet know what the Staff Side's new claim is likely to be and the Official Side are not meeting to consider their response until 28th August. The response seems likely, however, to include the following elements:-

- a. the use of the underlying index of movements in average earnings, rather than the actual index, for determining the annual settlement. This would eliminate freak monthly figures and would be likely to produce a significantly lower settlement next year;
- b. a revision of the base date for assessing pay increases. There are a number of options but the aim will be to produce a lower settlement this year, thus offsetting the effects of switching to the underlying index;
- c. some offset for incremental drift;
- d. lower increases in constables' starting salaries.

/A package on

The Rt. Hon. Nigel Lawson M.P.

**CONFIDENTIAL**

**CONFIDENTIAL**

A package on these lines would produce an increase below the 4.8% originally offered.

On the basis of their attitude so far, we have no reason to believe that the local authority representatives on the Official Side would be prepared to negotiate a settlement which we would regard as unacceptable; they seem anxious to derive the maximum benefits from the pay review. The Home Office representatives on the Official Side will, however, reserve the Secretary of State's position if the Official Side seemed disposed to negotiate a settlement which exceeded 4.8% this year or appeared to give insufficient weight to the results of the pay review. A more likely outcome is that agreement will not be reached and that the issue will go to arbitration. (There is a unilateral right of access to arbitration and an arbitration award, which is binding on the two sides, has the status of a recommendation from the PNB to the Secretary of State.)

The positions of the two sides will, of course, be clearer after the meeting on 28th August and Leon Brittan will keep you in touch with further developments.

Copies of this letter go to the Prime Minister, other members of E(PSP), George Younger, Jim Prior and Sir Robert Armstrong.

*Younger,*

*Douglas.*

(DOUGLAS HURD)

**CONFIDENTIAL**

Police: Pay May 79.

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456789

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CONFIDENTIAL

*copy*



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Leon Brittan QC MP  
Secretary of State  
Home Office  
Queen Anne's Gate  
LONDON SW1H 9AT

*N 1578*

14 August 1984

*Dear,*

POLICE PAY

Many thanks for your letter of 7 August about the Police Negotiating Board on 24 July and outlining the Official Side's tactics for the next meeting on 17 August. Nigel has asked me to respond.

I realise that the Official Side will have a difficult hand to play at the next meeting; and that your representatives are in a minority on the Official Side. Developments on 17 August may pose a stark choice: quick agreement at 4.8 per cent at the price of abandoning a good opportunity to modify the pay settlement next year and beyond; or some dramatic gesture by the police which would be politically uncomfortable. It seems clear that the figure resulting from the formula next year is almost certain to be artificially high. I hope your representatives will therefore make it clear to the other members of the Official Side that if they opt for a quick settlement this year at the cost of committing themselves to an unadjusted formula for next year, we would not be prepared to agree to increased provision or to disregard, for RSG purposes, to help them out of the resulting financial difficulties in 1985-86.

I am copying this letter to the Prime Minister, other members of E(PSP) and Sir Robert Armstrong.

BARNEY HAYHOE

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cc 100



QUEEN ANNE'S GATE LONDON SW1H 9AT

7 August 1984

*2 Nigel,*

*NSM  
8/8*

POLICE PAY

*copy of minutes attached*

Following the E(PSP) meeting on 17 July, I thought you would wish to know of the developments in the police pay negotiations.

The Police Negotiating Board met on 24 July to consider the pay of the federated ranks and Superintendents. The Police Federation claimed an increase of 4.8% in accordance with the May-May average earnings index. The Official Side said that they were prepared to offer a pay increase of 4.8% with effect from 1 September 1984. The Official Side also said that they would wish to continue discussions on the findings of the pay review. The Police Federation wanted to negotiate immediately on the outcome of the review, but the Official Side said that they would wish to give further consideration to the very detailed findings. After a series of adjournments, during which the Official Side made it clear they would not expect any proposals emerging from the review to be implemented until September 1985, the meeting failed to reach agreement and was adjourned until 17 August.

It is clear that the Police Federation's aim is to dispose of the pay review quickly, in circumstances which they consider to be favourable to them because of the unexpectedly low figure produced by the average earnings index and against the background of the miners' dispute. Their tactics are less clear; they may be trying to get the issue to arbitration (although it is not clear what the issue would be, since the increase claimed has been offered) or, alternatively, to make it public and attempt to negotiate direct with the Government. Failure to agree would also give them an excuse, which they are obviously looking for, not to attend the arbitration hearing on rent allowance which is due to take place on 30 August.

The Official Side tactics at the meeting on 17 August will be to reiterate that 4.8% is on offer, and to try to open discussions on the pay review in such a way that the Police Federation are given neither a concrete proposal on which they can register disagreement and take to arbitration, nor an excuse for walking out. They will open up a number of issues, including starting salaries and the method of applying the average earnings index to police pay, which would pave the way to further discussions and proposals for adjusting the pay settlement next year. But they will also try to conclude an agreement for a 4.8% settlement this year, as we agreed. I am taking steps to ensure that Sir Harold Atcherley, who is the independent Chairman of the Police Negotiating Board, is aware that the Government wishes the pay review to be taken into account in the 1985 and not the 1984 pay settlement.

At a separate meeting on 24 July, agreement was reached with the Superintendents' Association for a 4.8% increase from 1 September 1984. They agreed that discussions on the pay review, which will include the management consultants' report on the job evaluation of the Superintendent ranks, should take place subsequently, with agreed conclusions being implemented from September 1985. In view of the unexpectedly low increase in the earnings index this year, the Official Side agreed to defer until September 1985 the second stage of an agreement made last year to reduce the Superintendents' pay increase by 1% in 1983 and 1984 at most points on their scale, in order to reduce the differential over Chief Inspectors.

I am copying this letter to the Prime Minister, other members of E(PSP) and Sir Robert Armstrong.

*2 w.,  
L*

The Rt Hon Nigel Lawson, QC., MP.

CONFIDENTIAL

White Paper

28 AUG 1984

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5 6 7 8 9

CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

16 July 1984

bc N. Owen  
c. HMT D/Trprt  
DES CS, HMT  
D/N M/Arts  
D/Emp + below  
DHSS  
DTI  
CDL  
DOE

POLICE PAY

The Prime Minister has seen the Home Secretary's letter of 10 July to the Chancellor of the Exchequer. She agrees that, for this year, the best approach is to go through with strict application of the Edmund-Davies formula, leaving clawback of 1.1% for a future year. She suggests, however, that in doing so, Ministers should avoid committing themselves on the future of the formula until there has been time to adjust fully the material produced by the review. She has asked whether the pay currently being offered to police recruits is too high and whether the 1984 award should be slanted more towards experienced officers.

I am copying this letter to Private Secretaries to members of E(PSP), to John Graham (Scottish Office), Derek Hill (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

Hugh Taylor, Esq.,  
Home Office.

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*Original in poor condition*

NSPM AT 16/7 CENO



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

16 July 1984

*Dear Chancellor of the Exchequer*

## POLICE PAY

I have no comment on the line Leon proposes to take with the chairman of the Official Side in respect of this year's pay negotiations other than to say that, although there may be a risk that it will prove to be a hostage to attempts next year to adjust the formula, this is probably outweighed by the advantage of securing the earliest possible settlement at the relatively low level envisaged. It is quite possible that the key local authority manuals negotiations in November will prove more than usually troublesome and the further we can separate the two settlements the better.

If we are going to concede an Edmund-Davies settlement on the basis of the May index, I accept that, as Leon suggests we shall need to give what have become the usual assurances on grant and expenditure provision for 1984/85.

But I am very worried about the implications of such a pay award for the provisional 1985/86 RSG settlement where we are now proposing a maximum increase on low spenders' budgets of 4½%, which we will need to present as a real terms standstill if our claim to have discharged the Pym commitment is to have any credibility. In the light of the possible outcome of the teachers' arbitration and a high police pay award, it will be very difficult to refute claims that 4½% represents not a standstill but a real terms cut.

Overall, the 1985/86 grant and provisional target package which we have agreed allows an increase in 1984/85 budgetted current expenditure of around 1%. I cannot accept so modest an uplift should be pre-empted by the proposed police pay award so I must insist that in discussing the service distribution for local authority allocated current expenditure for 1985/86 we assume that compensating economies can be made elsewhere in the police service so that no extra provision for police is made on account of this award.

If colleagues should decide not to accept Leon's proposal for a full formula related settlement this year, he would no doubt agree that the normal assurances about grant and disregard should not be given until we are satisfied that the Official

Police: Police Pay May 79.

Sides are prepared to negotiate a settlement on a satisfactory basis.

I am copying this letter to the recipients of Leon's.

Yours sincerely

A.H. Davis

for

PATRICK JENKIN

Approved by the SAs and  
signed in his absence



NSBM

AT

16/7

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6400.....

Switchboard 01-213 3000

The Rt Hon Leon Brittan QC MP  
 Home Secretary  
 Home Office  
 50 Queen Anne's Gate  
 LONDON SW1H 9AT

16<sup>th</sup> July 1984

*Dear Secretary of State,*

POLICE PAY

I have seen your letter of 10<sup>th</sup> July to Nigel Lawson. I fear that if we say now that we see no case for changing the Edmund-Davies formula we shall find it much more difficult to secure any change in the future. I would prefer to avoid giving such a hostage to fortune. But we can discuss this issue more fully when E(PSP) meets on 17 July to consider police pay.

... Meanwhile, as you will see from the attached note, the Average Earnings Index for May, due to be published on 18 July, will show a year on year increase of 4.8 per cent. We shall obviously need to consider the implications of this surprisingly low figure when we meet on Tuesday. One important point to be borne in mind is that the factors pushing the actual index so far below the underlying rate, including of course the effects of the miners' strike, will work in the opposite direction next year. It is of course not possible now to predict with any accuracy what the index will be next May; but an increase as high as 10 per cent is a real possibility.

Copies of this letter go to the Prime Minister, other members of E(PSP), George Younger, Jim Prior and Robert Armstrong.

*Yours sincerely,*

*John Smith*

[Approved by the Secretary of State  
 and signed in his absence.]

PERSONAL AND CONFIDENTIAL UNTIL 11.30 AM ON WEDNESDAY  
18 JULY 1984

MONTHLY INDICES OF AVERAGE EARNINGS - ADVANCE INFORMATION

1 The latest figures are attached. The press notice will be issued at 11.30am on Wednesday 18 July 1984.

2 The underlying increase in average earnings in the year to May was about  $7\frac{3}{4}$  per cent, similar to the increase in the year to April.

3 The actual increase in the year to May 1984, 4.8 per cent, was substantially below the underlying trend, mainly because average earnings in May 1984 were depressed by industrial action in the coal industry. Other factors which contributed towards the actual increase in the year to May being below the underlying increase were:

- delays in some public sector settlements this year compared to a year ago, for example, those for some national health service employees, non-industrial civil servants and some teachers.
- the timing of the spring bank holiday, taken on the last Monday in May, was such that the earnings of weekly paid staff in the survey pay period reflected holiday absences in 1984 but not in 1983
- back pay in May 1984 was lower than in May 1983.

4 In production industries, the underlying increase in average earnings in the year to May was about  $8\frac{3}{4}$  per cent, similar to the increase in the year to April which has been revised downwards from 9 per cent. Within



this sector, the underlying increase in average earnings in manufacturing industries was about  $9\frac{1}{4}$  per cent, similar to the increase in the year to April which has also been revised downwards by  $\frac{1}{4}$  per cent. These increases continue to reflect higher overtime and less short-time working in May 1984 than a year ago.

5 The actual increases in the year to May 1984 for production and manufacturing industries, 4.1 per cent and 7.5 percent respectively were below the corresponding underlying increases because of the effects of the industrial action in the coal industry and the spring bank holiday described above.

DEPARTMENT OF EMPLOYMENT  
Statistics Division

13 July 1984

TABLE A

SIC 1980

## INDEX OF AVERAGE EARNINGS

Month	WHOLE ECONOMY				PRODUCTION INDUSTRIES			MANUFACTURING INDUSTRIES		
	Index Jan 1980 = 100	Seasonally adjusted								
		Index	% increase over previous year		Index	% increase over previous year		Index	% increase over previous year	
			Actual	Under- lying		Actual	Under- lying		Actual	Under- lying
1983 May	148.3	148.6	8.7	7 $\frac{1}{2}$	148.4	8.4	8 $\frac{1}{2}$	148.2	8.6	8 $\frac{1}{2}$
June	149.7	148.2	8.2	7 $\frac{1}{2}$	148.2	7.7	8	147.8	8.1	8 $\frac{1}{2}$
July	151.7	150.3	7.7	7 $\frac{1}{2}$	150.0	8.3	8 $\frac{1}{2}$	149.7	8.6	8 $\frac{3}{4}$
Aug	150.4	150.2	8.4	7 $\frac{3}{4}$	151.3	8.6	8 $\frac{1}{2}$	150.8	9.0	8 $\frac{3}{4}$
Sept	150.5	150.7	8.5	7 $\frac{3}{4}$	153.0	9.1	9	152.4	9.4	9 $\frac{1}{4}$
Oct	151.7	152.0	8.7	7 $\frac{3}{4}$	155.4	10.1	9 $\frac{1}{4}$	154.4	9.6	9 $\frac{1}{2}$
Nov	152.8	152.1	7.3	7 $\frac{3}{4}$	154.7	8.3	9 $\frac{1}{4}$	155.6	9.9	9 $\frac{3}{4}$
Dec	155.1	153.4	8.0	8	155.8	8.3	9 $\frac{1}{4}$	156.6	9.7	9 $\frac{3}{4}$
1984 Jan	152.7	154.7	7.1	7 $\frac{3}{4}$	156.0	7.9	9	157.0	9.0	9 $\frac{1}{2}$
Feb	153.8	155.6	5.7	7 $\frac{3}{4}$	157.8	8.7	9	158.7	9.6	9 $\frac{1}{2}$
Mar	154.2	154.4	5.5	7 $\frac{3}{4}$	153.7	5.8	9	159.2	9.8	9 $\frac{1}{2}$
April	154.7	155.8	6.0	7 $\frac{3}{4}$	154.5	4.0	8 $\frac{3}{4}$	159.5	7.7	9 $\frac{1}{4}$
May*	155.5	155.8	4.8	7 $\frac{3}{4}$	154.5	4.1	8 $\frac{3}{4}$	159.3	7.5	9 $\frac{1}{4}$

\*Provisional

## INDEX OF AVERAGE EARNINGS (unadjusted)

SIC 1980

Classes	Weights	Index (January 1980 = 100)						Percentage increase over previous 12 months					
		1983	1984					1983	1984				
		Dec	Jan	Feb	Mar	Apr	May*	Dec	Jan	Feb	Mar	Apr	May*
Metal processing and manufacturing	14	155.8	167.3	159.3	162.6	171.2	161.4	12.8	18.7	13.5	14.7	17.1	9.5
Mineral extraction and manufacturing	14	156.6	151.4	153.8	155.5	154.1	158.8	10.3	7.2	8.4	9.0	6.3	8.4
Chemicals and man-made fibres	20	166.1	155.8	158.1	158.2	157.6	160.3	10.1	8.4	9.0	10.4	7.8	7.3
Mechanical engineering	44	152.8	148.8	151.3	153.7	150.5	153.7	11.9	10.1	11.3	11.3	8.4	8.5
Electrical and electronic engineering	37	158.7	158.3	160.0	163.4	166.9	164.2	8.5	7.7	8.8	8.9	10.8	7.9
Motor vehicles and parts	17	147.2	145.7	147.4	147.0	148.0	149.5	6.8	8.8	9.5	9.1	10.7	7.6
Other transport equipment	17	147.4	148.4	154.5	154.2	151.9	152.7	5.3	7.1	10.8	7.3	6.4	6.0
Metal goods and instruments	27	146.6	145.2	149.0	151.2	147.9	150.8	10.3	8.8	11.1	10.1	8.4	7.0
Food, drink and tobacco	33	159.7	153.9	155.5	155.5	155.7	157.4	11.7	8.2	9.0	7.9	6.2	5.4
Textiles	13	146.1	149.8	151.6	153.4	145.2	154.7	8.5	8.6	9.1	9.1	2.5	7.4
Leather, footwear and clothing	17	148.8	150.4	152.7	157.5	149.3	155.6	5.4	6.5	6.8	9.2	3.9	6.6
Timber and wooden furniture	11	132.8	151.3	146.5	152.2	137.0	145.1	5.4	6.8	1.9	13.7	-0.9	4.8
Paper products, printing and publishing	26	163.1	160.3	161.4	163.6	162.9	169.8	10.7	9.5	9.6	9.3	4.2	8.6
Rubber, plastics and other manufacturing	14	148.2	150.4	152.3	152.4	150.4	156.7	8.9	9.3	9.3	9.2	6.4	7.9
Manufacturing industries	304	157.0	155.9	157.5	159.3	158.0	160.4	9.7	9.0	9.6	9.8	7.7	7.5
Coal and coke	15	123.6	121.5	125.2	54.4	55.7	50.8	-12.0	-14.0	-10.3	-60.9	-59.2	-61.3
Mineral oil and natural gas	1	151.9	158.1	159.9	161.6	164.0	159.4	8.0	8.1	9.4	10.6	11.3	9.0
Electricity, gas, other energy and water supply	19	161.5	162.7	163.0	164.9	167.0	171.1	7.4	11.3	11.7	5.7	5.1	8.2
Production industries †	339	155.9	154.9	156.5	154.3	153.4	155.5	8.3	7.9	8.7	5.8	4.0	4.1
Construction	55	153.7	148.0	152.5	155.3	155.5	155.0	6.2	5.2	7.2	5.0	6.9	6.4
Production and construction industries †	394	155.6	153.9	156.0	154.5	153.7	155.4	8.1	7.5	8.5	5.6	4.5	4.5
Agriculture and forestry †	19	156.7	155.3	158.6	156.6	165.2	∅	12.3	12.5	9.2	7.9	6.5	∅
Distribution and repairs	164	151.3	149.0	148.3	150.6	155.3	151.5	7.2	7.5	6.8	7.6	9.1	2.9
Hotels and catering	49	150.6	142.6	141.2	141.5	147.6	146.4	8.2	8.9	7.3	6.6	10.9	7.1
Transport and communication (except sea transport)	71	151.2	146.8	148.7	149.6	149.5	151.1	10.2	8.6	8.1	6.6	5.1	6.9
Banking, finance and insurance	44	177.8	162.3	160.6	177.3	167.4	167.6	10.6	11.3	7.9	7.9	10.9	5.9
Public administration	90	152.1	153.6	154.8	154.1	156.7	160.2	6.0	6.7	6.8	5.4	6.6	6.3
Education and health services	147	162.8	162.3	162.8	161.3	163.5	164.3	8.5	1.5	-7.3	0.0	4.7	3.9
Other services	22	165.3	164.5	163.2	169.1	163.1	165.7	12.8	9.9	10.0	12.5	8.8	8.9
Whole economy	1,000	155.1	152.7	153.8	154.2	154.7	155.5	8.0	7.1	5.7	5.5	6.0	4.8

\*Provisional

†Manufacturing, coal and coke, mineral oil and natural gas, electricity, gas, other energy and water supply

‡England and Wales only

∅Not available.

Price May '79  
Pay

18 JUL 1984



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②  
PRIME MINISTER

13 July 1984

Agree to Brittan's approach subject to  
Policy Unit caveats on committing Government  
to E-D formula and on starting salaries?  
AT 1317

POLICE PAY

Yes

The police pay review concludes that the police have not appreciably improved their position in the pay league since May 1979. This is a surprising result. Police pay settlements have been well above the economy average in four of the last five pay rounds and previous comparisons of earnings have shown the police moving ahead.

However, comparisons of increases in pay depend very much on the starting point for the comparison, whether overtime is included or not, and, if so, whether police overtime is high in a particular year compared to that in the economy at large.

There is nothing to be gained by contesting the statistics, but it is important to dissuade Leon Brittan from endorsing the Edmund-Davies formula. The review needs to establish that the mechanical application of this or any indexing formula is capable, year in year out, of taking proper account of changes in a policeman's job and in the market in which he is recruited and retained, and of the ability of his employers to pay. Why, for example, is a new graduate recruit (outside London) paid a salary of £8,010 a year, compared to the average starting salary of £6,120 for all second class honours graduates in the country? Why is

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an "undermanning allowance" of £1,011 paid to all Metropolitan Police officers to assist recruitment when the Met is fully staffed? The review has not attempted to address these questions. It has simply amassed material.

#### The 1984 Settlement

This is not the time to pick a row with the police. We should be prepared to take advantage of the fact that the Average Earnings Index is distorted by the miners' dispute and the timing of other settlements, and settle at 5-6%. If the police wish to abandon the formula on this account, well and good. The important point is that Leon Brittan should be dissuaded from telling the Chairman of the Official Side of the PNB that the Government sees no case for changing the Edmund-Davies formula. There is no need to comment now on the future of the formula. A commitment to the formula will possibly result in a double figure award in 1985, when the anomaly in this year's index unwinds itself. It will commit the Government to increases in expenditure it cannot afford. 30% of the increase in local authority expenditure since 1979 (in cost terms) has gone on police pay. The levels of police pay are contributing to our current difficulties with the teachers.

E(PSP) meets to discuss this on Tuesday. We recommend that in advance of that meeting, you might encourage Leon Brittan to take the line that:

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In May the actual increase over 12 months was below the underlying figure 5.8% against 7<sup>3</sup>/<sub>4</sub>%.

i. The material produced in the course of the review contains a mass of new material which there has not been sufficient time to digest. The Government should not commit itself on the future of the formula.

ii. The salary levels of new police recruits seem to be excessive. Could the 1984 award be structured towards the experienced officers?

You might also suggest that further consideration be given to alternative ways of determining police pay.

*Nicholas Owen*  
NICHOLAS OWEN

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B/f with  
Treasury & PU response  
AT 10/7  
CGATO



QUEEN ANNE'S GATE LONDON SW1H 9AT

10 July 1984

D Nigel,

POLICE PAY

In my letters of 10 April and 15 May I commented on the joint review of the pay of the federated ranks of the police service. I am now writing with further information about the progress of the review and about this year's negotiations on police pay, which are due to start on 24 July.

Information for the review is being provided by the Office of Manpower Economics (OME) and by the Official and Staff Sides. The information falls broadly into two parts: statistical information, prepared by OME, on such matters as increases in police earnings and those in the economy as a whole between 1979 and 1984, and a technical appraisal of the average earnings index; and papers prepared by the two sides on other changes in conditions since Edmund-Davies reported.

The papers submitted by the Staff Side cover such matters as improvements in annual leave, reductions to the basic working week, increased pension contributions and fringe benefits. The most important papers submitted by the Official Side deal with recruitment and retention and with job security. On some of these issues the advantage will lie with the Staff Side, on others with the Official Side. The Official Side's assessment is that neither side will be able to make much of a case for either an upwards or downwards adjustment on the basis of these factors.

This leaves the statistical papers which are being prepared by the OME. Their technical appraisal of the average earnings index, which was the measure recommended by the Edmund-Davies Committee for use in updating police pay, shows that during the period 1979-83 average gross weekly earnings for full-time employees over the age of 18 in the economy as a whole increased by 65.3 per cent, while gross weekly earnings for the police over the same period increased by 66.4 per cent (including rent allowance).

If one looks at the underlying index over the same four-year period rather than at the actual May figures in the average earnings index which form the basis of the police pay settlement, one finds the same picture. The underlying increase figures are much the same except in 1983, when the actual May figure was affected by back pay from delayed settlements, and any deviations have tended to cancel themselves out over the four-year period as a whole. The use of the underlying, rather than the actual, index would prevent police pay settlements being affected by temporary factors but the period under review provides no argument for changing the implementation of Edmund-Davies in this way: and the temporary factors at the moment seem likely to work substantially in our favour this year, so we would lose from making a change at this time.

The OME are producing a number of tables, comparing the increases in police earnings with increases in the earnings of full-time employees in the economy as a whole on various bases. They have been adding to and revising the figures which have still to be discussed by the Official and Staff Sides, and I have no doubt

The Rt Hon Nigel Lawson, M.P.

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/cont .....



that they will produce much debate between them. I have equally little doubt, however, that the comparison between average gross weekly earnings which I have quoted above is the most legitimate one by which to measure the result of the Edmund-Davies formula and that, on that basis, the Official Side will be able to show that the police have moved ahead, although not by much (1.1 per cent over four years).

There are other comparisons made by the OME, which produce different results, but none of them hold out the prospect of enough gain for us to outweigh the very substantial disadvantages for us of having to announce that we were departing from the agreed basis for updating police pay, especially as it has not unduly favoured the police. For example, looking at increases in basic pay (i.e. earnings excluding overtime pay, performance payments and shift premia), the results are of the same order (70.9 per cent for all full-time employees between 1979 and 1983, compared with 74 per cent for the police). The main difference is that, if a basic pay index had been applied to police pay during this period, rather than the average earnings index, the police would in fact have received rather higher pay increases than they did because basic pay has increased by 5.6 per cent more than average earnings. Using such other comparisons, moreover, to argue that the Edmund-Davies formula should be changed would smack too much of selecting figures to support what would look like a pre-determined conclusion that one was anxious to prove, without as I have said bringing any real advantage to us.

Although discussions on the review will have to continue between the Official and Staff Sides, I think that the likely conclusions are clear enough. Contrary to our expectations, there is no evidence that the use of the average earnings index for updating police pay, as recommended by the Edmund-Davies Committee, has resulted in significantly disproportionate increases in police pay, and there is therefore no justification for radical change to it. But they have gained an advantage of some 1.1 per cent and I am determined that this should be taken fully into account in pay increases in future years. The Official Side have already tackled the rapidly escalating value - and cost - of recent allowances and their proposals for a changed system will be considered by the Police Arbitration Tribunal in August.

I propose to see the Chairman of the Official Side of the Police Negotiating Board before negotiations start and tell him that we see no case for changing the Edmund-Davies formula for updating police pay, but that we shall expect future settlements to be adjusted by some 1.1 per cent to take fully into account this lead which the police have established over the past few years. I would propose to leave it to the Board to determine how this adjustment should be distributed between ranks. In view of the comparatively high starting salaries for police constables, for example, there is much to be said for seeking to apply a substantial proportion of the financial adjustment to the salaries at the bottom end of the constables' scale.

As to this year's settlement, I assume that the May figure for the average earnings index will be fairly close to the April figure of 5.8 per cent. The Police Federation are well aware that the May figure this year will be considerably below the underlying rate of increase (7 3/4 per cent) and they might argue that the higher figure is the true basis for implementing Edmund-Davies this year. I think it possible, however, that the Federation would be prepared to settle this year at the May index figure, if only to demonstrate their adherence to the letter of the Edmund-Davies updating recommendation. What is certain is that they would not be prepared to accept the lower figure as the basis of negotiation if any attempt were made to reduce it (e.g. by the 1.1 per cent). Their immediate reaction to any attempt at adjustment would be to break off negotiations with the Official Side and exercise their right of access to arbitration, as they have already done on the proposals to adjust the rent allowance system. They would no

doubt accompany that by public statements at the end of July that the Government have torn up the Edmund-Davies agreement and were no longer prepared to back the police in their difficult job, with references to morale in policing the NUM dispute, etc. Such an outcome seems most undesirable in current circumstances. To provide a major public row for the sake of 1.1 per cent on what is an artificially low figure anyway would be the wrong dispute at the wrong time, risking maximum loss for minimum advantage.

I consider that by far the better course is for the Official Side to seek a quick settlement on the May index figure, which should be public on 18 July, while making it clear to the Staff Side that the advantage which the review indicates that the police have gained from the Edmund-Davies formula will have to be taken fully into account from next year.

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The only outstanding point which that would leave would be the arrangements for financing the cost of a settlement this year above the 5 per cent factor already built into the RSG, which you raised in your letter of 18 April. I am sure to be pressed by the Chairman of the Official Side to give them the same set of assurances as last year (viz the usual 50 per cent police grant on the additional expenditure, an increase in the 1984/85 total for relevant expenditure and in the block grant cash limit to cover the cost of the excess over 5 per cent and a disregard of the excess when calculating liability to grant abatement).

I said in my letter of 15 May that we would have to consider this in the light of the review. Although that review is not completed, we know enough to be clear about our strategy for pay, as I have indicated above. If the Official Side are not given the same assurances as last year, the AMA and ACC may decline to enter negotiations with the Staff Side, as they did in 1982, when the negotiations had to be postponed for a week until satisfactory assurances were forthcoming. Alternatively, they may enter the negotiations with 5 per cent as their upper limit and tell the Staff Side that the Government will not allow them to go above that or they may settle at over 5 per cent, making it clear that the savings necessary to finance the settlement could be found only by reductions in police manpower.

Given the substantial cuts in police budgets which are already having to be made by police authorities because of the costs of the NUM dispute, any of these outcomes would be most unwelcome for us politically and with the police. They would also rule out any prospect of getting the Staff Side to settle quickly on the May index figure. It would in fact lock us from the outset into a confrontation with both Sides. I see no advantage at all in that. If we are to secure a reasonable and quick settlement on the May figure, I must be able to give the Official Side the assurances they seek before 24 July.

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4.

Finally, the parallel review of the pay of chief police officers and Superintendents will be based primarily on job evaluation. This exercise has almost been completed and we expect to have the results before the negotiations over this year's settlement begin. Hitherto, the pay of Superintendents, like the pay of the federated ranks, has been updated in line with the average earnings index. We shall not be able to take a view on whether this remains appropriate until we have the results of the job evaluation exercise.

I should be grateful for my colleagues' agreement to these proposals.

I am sending a copy of this letter to the Prime Minister as well as to other members of E(PSP), George Younger, Jim Prior and Robert Armstrong.

Y  
Lonsdale

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Police Pay May 79



1979 JUN 01



*NBPm AT 6/11 ccjo*

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
LONDON

*5* June 1984

*Dear Nigel,*

POLICE PAY

I have seen Leon Brittan's letter to you of 15 May about the financial arrangements in 1984/85 to take account of the next police pay award.

I must say I do think that it would be unwise for us to take firm decisions now, even before the outcome of the pay review is known, on our attitude towards the question of disregard or any other special arrangements. I agree that, at the right time, the local authority employers should not be in any doubt as to our position; but that time is not yet near, and we should not pre-empt our position by taking decisions now. I therefore suggest that we return to these questions when the results of the review become available.

I am copying this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Employment, Environment and Northern Ireland and to Sir Robert Armstrong.

*Yours truly,  
George.*

Blue May 79

Ray

05 JUN 1984

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

29 May 1984

The Rt. Hon. Leon Brittan QC MP  
Secretary of State for the Home Department

*Leon Brittan*

**POLICE PAY**

You wrote to me on 15 May about the police pay review. I have also seen the separate correspondence which you have been having with Norman Tebbit about police allowances.

I understand that the pay review is proceeding reasonably satisfactorily, and that the Official Side will be contributing material on the lines we have agreed. I think it is important to bring the review to an early conclusion, so that its results can be taken into account in this year's pay negotiations and we are able to fulfil our commitment not to conclude a pay settlement until the review is completed. I look forward to seeing your proposals on the handling of the negotiations and hope we can reach a settlement fairly quickly in view of the possible repercussions. As you have said in your letter of 8 May to Norman Tebbit, we shall want to take account of police allowances in this context, since they are an important element in the remuneration of police officers.

My proposal on "disregard", which I am glad to see that Patrick Jenkin supports, was made in the context of the pay negotiations rather than the review itself. We need to ensure the local authorities take on board the message on "disregard" before the negotiations get under way. I do not see why it should jeopardise the review itself.

I agree that we do not want the Government held responsible, if the local authorities threaten to reduce police manning levels. But I think we can avoid this while still injecting a note of financial reality into the police pay negotiations. Local authorities are not able to cut existing police numbers except by reducing recruitment. Starting salaries for the police are generally agreed to be very high and one of our objectives in this year's pay negotiations might therefore be to secure agreement that they should increase by less than police pay in general. By indicating our position on "disregard", we might rally the local authorities behind us on recruitment pay.

A copy of this letter goes to the Prime Minister and to the Secretaries of State for Employment, Environment, Trade and Industry, Scotland and Northern Ireland and to Sir Robert Armstrong.

NIGEL LAWSON

*Nigel Lawson*

CC 2/10

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DMS  
30/5

Police : Pay : May 79.

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30 MAY 1979  
10:17 AM



CONFIDENTIAL

NBM  
AT 15/5  
cc AD



QUEEN ANNE'S GATE LONDON SW1H 9AT

15 May 1984

*Nigel,*

POLICE PAY

Thank you for your letter of 18 April about the review of police pay.

I am glad you are content with the arrangements for the pay review and that I should use the financial information which you provided in the negotiations which will follow the review, rather than in the review itself.

I think, however, that it would be counter-productive to commit ourselves at this early stage to a position on a "disregard" (or any other special arrangements) for the police pay award in 1984/85. I have assured the Police Federation that we are approaching the review with an open mind: Edmund-Davies recommended a certain method of updating police pay and the purpose of the review is to establish whether or not that method is working satisfactorily. Any suspicion that we had determined in advance in effect to place financial restrictions on this year's pay settlement would probably bring the review to a premature end.

I am sure that the wisest course is to let the review proceed. When we have the results, we can consider what line I should take over the negotiations and the implications for local authority expenditure, and for police manpower. Given the stress which we, as a Government, have up to now placed on increasing police manpower levels, we shall need to guard against the possibility that local authorities might try to find the money for pay by reducing police manpower levels. I am making it clear that the period of general expansions in police manpower is over, but we should be in real political difficulty if police forces began to shrink and the responsibility for this was laid at our door.

Copies of this letter go to the Prime Minister, the Secretaries of State for Employment, Environment, Scotland and Northern Ireland and to Sir Robert Armstrong.

*Nigel,*  
*Lawson*

The Rt Hon Nigel Lawson, MP

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POLICE : Pay May 79...

MAY 1979

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CONFIDENTIAL



NBPM AT 1415 ~~CC NO~~

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

14 May 1984

Dear Leon,

POLICE PAY

Nigel Lawson copied to me your letter of 10 April about the proposed review of police pay, and his reply of 18 April.

The information tabled for the review group is, of course, a matter for you. But I do have an interest in the outcome of the review, since the increasing proportion of the scarce resources available for local authority current expenditure which is being pre-empted by police pay as a result of the Edmund-Davies formula is a matter of considerable concern here. Anything, therefore, which can be said which might stiffen the resolve of the local authority employers is to be welcomed, and I endorse Nigel Lawson's suggestion that requests for special arrangements for the 1984/85 police pay award are unlikely to find favour.

I am copying this to the Prime Minister, the Chancellor, the Secretaries of State for Employment, Scotland and Northern Ireland and to Sir Robert Armstrong.

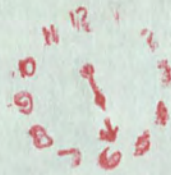
Yours  
Patrick

PATRICK JENKIN

POLICE: Pay May 79



RECEIVED



CONFIDENTIAL

NBFM  
AT 2/5



QUEEN ANNE'S GATE LONDON SW1H 9AT

8 May 1984

2 Norman,

Thank you for your letter of 12 April about police pay and allowances.

As you will know, although I am responsible - together with the Secretaries of State for Scotland and Northern Ireland - for determining police pay and allowances, this follows negotiations in the Police Negotiating Board. The Official Side of the Board consists mainly of representatives of the local authority associations, who have first-hand knowledge of the burdens of police expenditure at local level and need no encouragement to consider ways in which savings might be made without detriment to the police service. Indeed, they have already taken action on rent allowances and the London allowance.

The Official Side tabled proposals for changing the existing basis of calculating rent allowances in January 1983. These proposals would reduce substantially the amounts paid to officers who became eligible for rent allowance from the date it was implemented, although officers already receiving the rent allowance would keep their existing allowance on a personal mark-time basis. Prolonged negotiations have failed to produce agreement and the issue has now been referred to arbitration.

The London allowance was first introduced in 1978 as an undermanning allowance. The Metropolitan Police is now almost up to full strength, but they have always found it more difficult to recruit than other forces. The allowance has not been increased since 1981. Last year the Staff Side tabled a claim for the London allowance to be increased in line with pay, on the grounds that the authorised establishment of the Metropolitan Police was artificially low and that, consequently, the force was still undermanned. The claim was rejected and will go to arbitration.

The review of police pay will take account of the wider aspects of the remuneration of police officers, but the tactics of the subsequent negotiations will need careful consideration. We shall be in a better position to make judgments when we have the results of the current review.

Copies of this letter go to the Prime Minister, Nigel Lawson,  
George Younger, Jim Prior and Sir Robert Armstrong.

Law,

Law

Police: Police Pay - May 79.

1-0 MAY 1984





Prime Minister ②

CCAO

To note facts on police pay and costs.

AT

18/4

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

18 April 1984

Comment passed to Ho and that orally by TR AT 2514

The Rt. Hon. Leon Brittan QC MP  
Secretary of State for the Home Department

*Leon Brittan*

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**POLICE PAY**

You wrote to me on 10 April about the proposed review of police pay.

I agree the review should consider increases in police earnings and those in the economy as a whole between 1979 and 1984; the position of the police in the "pay league"; information on recruitment and retention, and job security and starting salaries for a range of jobs including the armed services.

The growth in police costs since 1978/79 has been dramatic. Indeed it was concern about this which prompted the proposal to hold a review in the first place. Whichever way you look at the figures, they are disturbing. Thus:-

- (a) Between 1978/79 and 1983/84, total local authority relevant current spending increased by about 85 per cent in England and Wales; during the same period local authority relevant current spending on the police went up by 126 per cent;
- (b) In cost terms, total local authority relevant current expenditure increased by about 9 per cent between 1978/79 and 1983/84. During the same period expenditure on the police increased by about 30 per cent in cost terms.
- (c) Growth in police spending accounts for about one-third of growth in total local authority relevant current spending in cost terms since 1978/79.

I appreciate your tactical objections to tabling this information in the context of the review itself and I would not want to insist on that. But I am glad you think that the figures should be used in the negotiations which will follow the review. I believe we should also stiffen the resolve of the local authority employers by making it clear from the start that we shall not look favourably on representations for a "disregard" (or any other special arrangements) for the police pay award in 1984/85 and I hope that you can ensure that this message is clearly conveyed.

Copies of this letter go to the Prime Minister, the Secretaries of State for Employment, Environment, Scotland and Northern Ireland and to Sir Robert Armstrong.

*Nigel Lawson*

NIGEL LAWSON



Blue-Blue Day May 7<sup>th</sup>.





Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET 5422

Telephone (Direct dialling) 01-215)

GTN 215)

(Switchboard) 215 7877

12 April 1984

The Rt Hon Leon Brittan QC MP  
Secretary of State for the Home  
Department  
Home Office  
50 Queen Anne's Gate  
LONDON  
SW1H 9AT

*D. Leon*

I read with interest your minute of 21 March to the Prime Minister on police pay, and the PS/Prime Minister's reply of 26 March. Your office have also been good enough, at my request, to supply me with details of the allowances paid to police officers.

2 I am sure that you will be conscious of the need for the review of police pay to take account of the wider aspects of remuneration to police officers. It is noticeable that some allowances seem, in the light of the figures which you circulated on police recruitment, to have lost their justification. The payment of £1,011 a year to Metropolitan and City of London police officers, in addition to a London weighting of £801 a year, seems a clear example of an allowance to improve recruitment which is no longer required. Also, the amount of rent allowances payable could well be considered to be excessive following the substantial relative improvement in pay of police officers.

3 I would not advocate changes in allowances in a way which led to an absolute level of pay award higher than would otherwise be necessary. But I think we should recognise the considerable cost of these allowances, and that their curtailment could reduce a further burden upon local government, particularly in the Metropolitan Police area.

4 Copies of this go to the Prime Minister, Geoffrey Howe, George Younger, Jim Prior, and to Sir Robert Armstrong.

NORMAN TEBBIT

JH1AHO

Blue : pay May 79



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CONFIDENTIAL

NBPM 4/11/84

~~CCNO~~



QUEEN ANNE'S GATE LONDON SW1H 9AT

10 April 1984

*R. Nigel,*

POLICE PAY

Following our discussion about police pay in E(PSP) on 29 February, our officials have been considering the information which we should aim to have considered by the joint review of the pay of the federated ranks.

Much of the material which we would wish to have considered is covered by the terms of reference: the increases in police earnings and those in the economy as a whole between 1979 and 1984, their positions in the pay league, a technical appraisal of the average earnings index. Other information which Departments have agreed should be covered include figures on recruitment and retention, on the lines of my minute of 21 March to the Prime Minister, information about starting salaries for a range of jobs including the armed services, and information about job security.

Treasury officials have suggested that we should also include information about increases in police costs since 1979, and as a proportion of total increases in local authority expenditure. I have considered this carefully but, on reflection, I would prefer not to include this information as part of the joint review. That does not mean it is not extremely relevant. I think it is, but I think it is likely to be more helpful at the negotiating stage. Moreover, the Police Federation have made it clear that they will insist on agreeing the topics to be included in the joint review. They have always been reluctant to take part and would be happy to find an excuse to pull out. This could provide it.

/The

The Rt Hon Nigel Lawson, MP

CONFIDENTIAL

CONFIDENTIAL

The Home Departments will be providing some information (eg on recruitment and retention) for the review, but we envisage most of it will be obtained by OME, following agreement of the two Sides. This will not prevent the Official Side from pursuing separately any issues not covered by the joint review as a background for framing proposals for the negotiations.

I am copying this letter to the Prime Minister, the Secretaries of State for Employment, Scotland and Northern Ireland and to Sir Robert Armstrong.

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*Car*

CONFIDENTIAL

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CONFIDENTIAL

PRIME MINISTER

POLICE PAY

I have seen Leon Brittan's minute of 21 March with details of manpower trends in the police service in England and Wales for the period 1975-83.

The corresponding Scottish figures underline the immediate effect of the Edmund-Davies pay award. Wastage had outstripped recruitment throughout 1976 and 1977 so that by March 1978 all except one of the eight Scottish forces were operating significantly below authorised establishment (by as much as 11 per cent). Recruitment improved quickly in the latter part of 1978 and throughout 1979 so that by the end of 1979 force strengths were at or near authorised establishment levels.

More recently, there have been only modest establishment increases in Scotland - less than 1 per cent overall between 31 March 1979 and 31 December 1983 when the total police strength stood at 13,208.

As in England and Wales, the quality of recruits has improved. In 1978, only around 40 per cent of recruits had one or two Higher grade passes or better; the figure is now about 55 per cent. Graduate recruitment has shown little change over the period - 30 in 1978 and 31 in 1983.

I am copying this letter to Leon Brittan, Geoffrey Howe, James Prior, Norman Tebbit and Sir Robert Armstrong.

G.Y.

G.Y.

Prime Minister (2)  
Same pattern as in  
England and Wales.

HT  
29/3

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

CC ✓ NO

ms

29 March 1984

SCOTTISH OFFICE  
WILTBALL LODGE, WINDYBANK



29 MAR 1984



ANNEX

RECRUITMENT, WASTAGE AND POLICE ESTABLISHMENTS AND STRENGTHS IN SCOTLAND 1975-83  
(AS AT 31 DECEMBER)

<u>Year</u>	<u>Recruitment</u>	<u>Wastage</u>	<u>Total establishment</u>	<u>Total strength</u>
1975	1,460	759	13,145	12,376
1976	1,084	1,143	13,163	12,317
1977	944	1,155	13,144	12,046
1978	1,164	766	13,166	12,399
1979	1,505	690	13,274	13,214
1980	688	641	13,259	13,261
1981	465	529	13,262	13,194
1982	511	481	13,267	13,214
1983	474	473	13,321	13,208

SCOTTISH OFFICE  
MARCH 1984

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bc: Nick Owen.

10 DOWNING STREET

From the Private Secretary

26 March 1984

Police Pay

br || The Prime Minister was grateful for the Home Secretary's minute setting out the figures on recruitment, wastage and the quality of recruits to the police over the past decade. She has noted that there has been an encouraging improvement in recruitment and retention and she hopes that a way will be found of feeding the full extent of these improvements to the pay review. She wonders whether the point has now been reached, or even passed, where further improvements in the relative position of police pay may run into diminishing returns.

I am copying this letter to Roger Bone (Foreign and Commonwealth Office), John Graham (Scottish Office), Derek Hill (Northern Ireland Office), Callum McCarthy (Department of Trade and Industry), David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

Hugh Taylor, Esq.,  
Home Office

Lh



10 DOWNING STREET

Prime Minister ②

- (i) To note X
- (ii) Agree Y? Yes
- (iii) Do you want to go as far as 2? (You may feel this is better put as a question rather than an observation)  
Yes - or - Cuckoo

Mr JT  
22/3

CONFIDENTIAL

22 March 1984

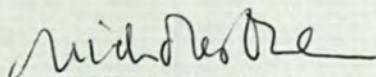
MR TURNBULL

POLICE PAY

X | Leon Brittan's note reveals a satisfactory position on recruitment and retention: the police numbers are now over 99 per cent of their establishment, and the quality of recruits has increased markedly (eg over 9 per cent of new recruits in 1982 were graduates, compared to 3 per cent in 1979). Leon Brittan offers no comment on whether the relative pay of the police is now about right. It is difficult to argue that further improvements in their position are necessary in the light of police strength, which was restored to its proper position by the end of 1981. On quality, there could still be more to go for but, remembering that the bulk of police work is of a traditional kind - an element we wish to emphasise - it is difficult to imagine that a much higher percentage of educated manpower is needed, or could be satisfied in the longer term.

Y | My advice would be to thank Leon Brittan for this information; to note that the improvements in recruitment and retention are encouraging; and that his officials should find a way of feeding in the full extent of these improvements to the pay review. The Prime Minister may wish to add the observation that the point seems now to have been reached - if not passed - where further improvements in the relative position of police pay seem likely to have diminishing returns.

Z |

  
NICHOLAS OWEN

CONFIDENTIAL

CONFIDENTIAL



ce Mo

PRIME MINISTER

POLICE PAY

In his letter of 28 February, which was considered at the meeting of the Ministerial Sub-Committee on Public Sector Pay (E(PSP)) the following day, Mr Turnbull said that you would like to know about the way in which recruitment and retention have been going in the police service.

The Annex to this minute shows the annual recruitment and wastage figures and police strengths for the period 1975-1983. A surge in recruitment, after a very high pay award in 1975, was followed by a period of low morale in the police service, due mainly to discontent over pay. Recruitment began to fall and wastage to increase in the autumn of 1976. Wastage due to resignations and retirements outstripped recruitment in 1977 and the early months of 1978. During this period the police service lost large numbers of experienced officers and the calibre of recruits was generally low. All forces were under strength; some of them had deficiencies of over 10%.

The implementation of the first phase of the Edmund-Davies pay award in September 1978 produced an immediate change in the situation: premature wastage declined to negligible proportions and recruitment immediately improved. The position improved still further when we implemented the award in full in May 1979. From 1980, recruitment began to fall, as forces made up their deficiencies in strength and so were recruiting only to replace wastage, which had itself fallen. By the end of 1981 all forces outside London had reached, or were very close to, their authorised establishments.

Between 1 May 1979 and 31 December 1983 we have approved increases of some 3,000 posts in force establishments. The strength of the service was 121,003 at the end of last year. The average deficiency was less than 1% and most forces are recruiting only to replace wastage caused by retirements and resignations. In these circumstances, forces can be selective in their choice of candidates and the quality of recruits has improved. In 1979, only 41% had five '0' levels or better and only 324 graduates were recruited. In 1982 (the last year for which figures are available), 59% of recruits had educational qualifications of five '0' levels or better and 626 graduates joined the service.

CONFIDENTIAL

A total of 2,000 graduates were recruited in the five years to the end of 1982.

We shall be providing information about recruitment and retention for the pay review through the Official Side but most of the information for the review will be produced by the Office of Manpower Economics and the Official and Staff Sides of the Police Negotiating Board.

I am copying this minute to Geoffrey Howe, George Younger, Jim Prior and Norman Tebbit, and to Sir Robert Armstrong.

L. B.

21 March 1984

RECRUITMENT, WASTAGE AND POLICE ESTABLISHMENTS AND STRENGTHS IN ENGLAND AND WALES 1975-1983

<u>Year</u>	<u>Recruitment</u>	<u>Wastage</u>	<u>Total Establishment</u>	<u>Total Strength</u>	
1975	10,398	5,314	117,176	107,138	91.4
1976	10,042	7,750	118,101	109,476	92.7
1977	8,003	9,280	118,279	108,201	91.5
1978	8,045	7,162	118,967	109,075	91.7
1979	10,475	6,177	119,628	113,309	94.7
1980	9,686	5,797	120,261	117,423	97.5
1981	7,237	5,107	121,353	119,575	98.5
1982	6,507	5,159	121,480	120,951	99.5
1983	4,968	4,980	121,802	121,003	99.3



Force : Lang

May 79

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10 DOWNING STREET

*From the Private Secretary*

5 March 1984

POLICE PAY

The Prime Minister was grateful for the Chancellor's report, in his minute of 2 March, on the discussion at E(PSP) of police pay. She is content with the way it is proposed to handle this issue.

I am sending copies of this letter to Hugh Taylor (Home Office), Derek Hill (Northern Ireland Office), John Graham (Scottish Office), David Normington (Department of Employment) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

John Kerr, Esq.,  
H.M. Treasury.

CT.



cc NO. 2  
Prime Minister  
Duty Clerk  
313

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

A handwritten signature or set of initials in blue ink, consisting of a large 'M' and a smaller 'W' or similar characters.

PRIME MINISTER

POLICE PAY

The Ministerial Sub-Committee on Public Sector Pay (E(PSP)) met under my chairmanship on 29 February to discuss the current review of the police pay arrangements. We had before us the Home Secretary's memorandum on the subject (E(PSP)(84)4) and Mr Turnbull's letter of 28 February. I understand that the Home Secretary will be letting you have direct the information about recruitment and retention requested in that letter.

2. The Home Secretary said that the review would be conducted within paragraph 266 of the Edmund-Davies report which envisaged that either Side in the negotiating body should be able to propose variations to the updating process in the light of changes either in the police service or in pay movements in the economy as a whole. It would cover:

- a. a broad comparison of the relative position of police officers in the pay league now and on 1 May 1979, when the Edmund-Davies recommendations were implemented in full;
- b. an examination of the application of the Edmund-Davies formula to establish whether the application of an earnings index to police basic pay had produced distortions;
- c. a technical appraisal of the earnings index;



- d. an analysis of other changes in conditions since May 1979.

In the case of chief police officers and superintendents the review would also provide for job evaluation and a study of differentials. Every effort would be made to complete the review by July this year. The Official Side of the Police Negotiating Board (PNB) had made it clear that they would not be prepared to enter into negotiations on this year's pay settlement before it had been completed.

3. The Home Secretary argued that the Government must continue to operate within the Edmund-Davies framework: any apparent attempt to dismantle that framework would be strongly resisted by the police. However a review within the terms in paragraph 266 of the Edmund-Davies report should provide the scope for worthwhile proposals by the Official Side. These might for example include modifications to the link between outside earnings and police basic rates. It should also be possible to import considerations of recruitment and retention, which were clearly relevant to "changes in the police service", though this would have to be done carefully.

4. In discussion, there was general agreement that it was highly desirable to seek improvements in the police pay arrangements. The police had had a good case for more favourable treatment of their pay in the late 1970s: it was not so strong now. There were few problems of recruitment and retention; and the quality of recruits appeared to be rising. The gap between police pay increases and increases in the pay of other public servants was increasingly hard to justify. It also created difficulties in the context of public expenditure. About one-third of the increase, in cost terms, in local authority expenditure since 1978-79 was due to police expenditure; and this had fallen mainly on the shire counties. There were reasonable grounds for not



applying arguments of affordability to police pay in the same way as to the pay of most other public service groups, but it was hard to justify not taking account of recruitment and retention.

5. Some members of the Sub-Committee had reservations about the prospects for a satisfactory outcome to the review, and thought that it might prove necessary in due course to consider more radical approaches. It was however agreed that there was no alternative at present to proceeding with a review within the Edmund-Davies framework, on the lines suggested by the Home Secretary.

6. It was agreed that one of the Government's main objectives in the review should be to bring considerations of recruitment and retention to bear more effectively on the level of the police pay settlement. There might also be worthwhile changes in the working of the formula, for example in respect of the link between outside earnings and police basic rates. It would be important to submit carefully considered Government evidence bearing on these and other points, such as changes in the position of the police in the earnings league. The Home Secretary will ensure that colleagues mainly concerned have an opportunity to comment on the Government's evidence in draft and to provide an input to it. He will also consult the Sub-Committee before any proposals are put by the Official Side to the Staff Side of the PNB about changes in the police pay arrangements or the 1984 settlement.

7. The review will require careful handling in view of the political sensitivities. I am therefore sending copies of this minute only to the Home Secretary, the Secretaries of State for Northern Ireland and Scotland, the Secretary of State for Employment, and Sir Robert Armstrong. I should be grateful if they would ensure that copies are seen only by those with a clear 'need to know'.

A handwritten signature in dark ink, appearing to be 'N.L.' with a flourish.

N.L.  
2 March 1984

PRIME MINISTERPOLICE PAY

There is a growing amount of evidence that police pay is getting out of hand, and needs the review agreed last summer. It has taken a lot of effort to persuade the Home Office to come forward with the details of the review. You may wish to comment in advance of E(PSP) on Wednesday, to give the review momentum.

Current Pay Levels

After the implementation of Edmund-Davies in 1979, the police settled well above the rest of the economy in four out of the last five pay rounds (Table 1).

Table 1: Pay Settlements %

<u>Pay Round</u>	<u>Whole Economy</u>	<u>Public Services</u>	<u>Police</u>
1979-80	17	14½	13½
1980-81	8½	8	21½
1981-82	7	6½	13
1982-83	5½	5	10½
1983-84	5-6	5-6	8½
Total Increase	51	46	87

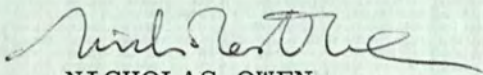
These settlements have pulled the police up the earnings league. In 1979, 21 per cent of the working population earned more than the average member of the police force. In 1983, only 13 per cent did. To give one illustration of the effect of this improvement, in September 1983, the maximum scale of a Police Constable (£10,620) exceeded that of an Army Private by 50 per cent. Compared to their most obvious comparators, the police seem to be doing very well.

The problem is the indexing formula, which gives the police settlements based on the average earnings in the economy, with their own overtime and bonuses on top of that. (Police housing allowances - up to £1,500-£2,000 tax free - are not included in these comparisons.) Ministers will want to consider whether current pay and conditions are not greater than is necessary to attract and retain the right people. This is a difficult judgment, which ought to be taken with the assistance of a Pay Review Board, and not simply as the

mechanical outcome of an indexing formula. The police are naturally content with the existing formula. They will only accept the sense of alternative review arrangements if the formula is abandoned.

In the meantime, the Edmund-Davies framework provides the flexibility the Government needs to change the formula. What has been lacking is the will to use it. To encourage the Home Office in this direction, you might wish to minute the Chancellor in advance of E(PSP) to the effect that:

1. You note that the police appear to have steadily improved their relative position over the last 4 years. It should be our immediate objective to substitute a less inflationary formula than that currently adopted. You hope that Leon Brittan will bring all the available evidence on comparative earnings of the police to the attention of the PNB.
2. You would be interested to hear Leon Brittan's views on recruitment and retention in the police force.
3. Looking beyond the 1984 negotiations, you consider that a Pay Review Board which would look at wider questions of comparability, recruitment and retention, is an objective which should be borne in mind.

  
NICHOLAS OWEN

CONFIDENTIAL



cc. Mr. OWEAN to  
a Scottish Office  
file

10 DOWNING STREET

*From the Private Secretary*

28 February, 1984.

Police Pay

*OK*

The meeting of E(PSP) which the Chancellor of the Exchequer will be chairing tomorrow will be considering the question of police pay. The Prime Minister has noted that the police appear to have been rising up the earnings league since 1979. She therefore welcomes the proposal for a review of the way the Edmund-Davies arrangements have been working, and she hopes that the Home Secretary will bring all the available evidence on comparative earnings of the police to the attention of the Police Negotiating Board. She wonders whether the operation of the formula can be modified to produce a less inflationary result. She would be interested to hear from the Home Secretary the way recruitment and retention in the police force have been developing.

I am sending copies of this letter to the Private Secretaries to the members of E(PSP) and to Richard Hatfield (Cabinet Office).

Andrew Turnbull

John Kerr, Esq  
HM Treasury.

CONFIDENTIAL

*lv*





10 DOWNING STREET

Prime Minister ①

E (PSP) are discussing the  
Edmund-Davis mechanism  
for police pay on Wednesday.

Policy Unit suggest that  
a letter from No 10 indicating  
your interest in this subject  
would be helpful.

Agree?

AT

27/2

Yes

CE 110

NBPM

AT 8/2

**CONFIDENTIAL**



QUEEN ANNE'S GATE LONDON SW1H 9AT

8 February 1984

*R. Nigel,*

POLICE PAY REVIEW

Thank you for your letter of 3 February.

We should be clear about the form of the review after the meeting of the Police Negotiating Board on 15 February. It has taken rather longer than I had hoped to get it off the ground, but I do not think the difficulties are as great as your letter might suggest. Even so, following our discussions in E(PSP) last July, I thought colleagues would wish to be kept in the picture.

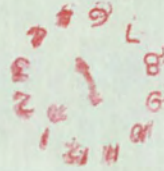
I am sending copies of this letter to the Prime Minister, other members of E(PSP), and to Sir Robert Armstrong.

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The Rt Hon Nigel Lawson, M.P.

**CONFIDENTIAL**

Econ POL: Public Secur Pay: Pt 11



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CONFIDENTIAL



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

3 February 1984

The Rt. Hon. Leon Brittan QC MP  
Secretary of State for the Home Department

**POLICE PAY REVIEW**

The most recent Monitoring Report on public sector pay (E(PSP)(84)2) drew attention to the difficulties which are arising over setting in hand the review of police pay arrangements, and indicated that this was a matter on which you might wish to consult colleagues.

I gather that you have it in mind to put a paper to E(PSP) following the next meeting between the Official and Staff Sides which has been arranged for 15 February. I very much welcome this and I understand that arrangements will be made for a meeting towards the end of this month. This will provide a timely opportunity to clear our minds on what the Official Side might hope to achieve in the review, how these objectives might best be secured in the face of the likely attitude of the Staff Side, and how the review will relate to this year's pay negotiations.

I am sending copies of this letter to the Prime Minister, other members of E(PSP) and to Sir Robert Armstrong.

NIGEL LAWSON

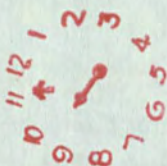
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Prime Minister 2

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

3 August 1983

The Rt Hon Leon Brittan, QC MP  
Home Office

*Handwritten signature: Leon Brittan*

*Handwritten mark: nt*

*Handwritten note: 3.0*

POLICE PAY

*attached -*

Thank you for your letter of 29 July. I agree that no purpose would now be served by making an announcement about the police pay increase. And in view of the progress which you have already made with the Police Federation representatives on the question of participation in the proposed review, I agree that we need not hold up approval of this year's pay settlement.

I am copying this letter to the Prime Minister, the other members of E(PSP), the Secretary of State for Scotland, and Sir Robert Armstrong.

*Handwritten signature: Nigel Lawson*

NIGEL LAWSON

MAR 1983



CONFIDENTIAL

CS/KO



QUEEN ANNE'S GATE LONDON SW1H 9AT

29 July 1983

Prime Minister (2)

MS 29/7

POLICE PAY

At its meeting on 21 July, the Police Negotiating Board reached agreement on pay increases with effect from 1 September 1983 of 8.4% for police officers below the rank of superintendent, an average of 7.7% (designed to adjust differentials) for superintendents, and 4.5% for police cadets. The Board has now submitted to me a formal recommendation that these increases should be approved.

The Official Side of the PNB proposed that, before the 1984 pay negotiations, there should be a joint examination within the PNB of the pay levels for the various ranks of the police service. The superintendents agreed to take part in such a review, provided the other police staff associations also agreed to participate, but the Police Federations declined. The Official Side invited them to reconsider their position and made it clear that they would not be prepared to enter into negotiations next year unless there had been a thorough review of the appropriateness of the 1983 pay levels.

I met the Chairman and Secretary of the Police Federation of England and Wales on 26 July and warned them that we could not go on indefinitely agreeing to increases based on the average earnings index without taking stock. The Government was committed to fair levels of pay for the public services and we were anxious to ensure that the police were paid the proper rates for the difficult and demanding work they did, but an objective assessment of police pay levels was now essential. We hoped that this could be carried out by the PNB with the full co-operation and participation of the Staff Side, but if they declined to take part in such a review arrangements would have to be made for it to be carried out by some other means. In short, there would have to be a review before the 1984 pay negotiations. The Police Federation representatives accepted this. They said that they would, of course, have to consult their colleagues on the Joint Central Committee, but they would do their best to persuade them that the Federations should take part in a PNB review of police pay levels. The superintendents have already agreed in principle to join in such a review and I have no doubt that the chief officers will also be prepared to take part. I am therefore reasonably optimistic that the review will take place within the framework of the PNB.

Prime Minister

I do not believe that any useful purpose would be served by withholding my approval of this year's pay settlement until the Police Federations have reconsidered their position on the proposed review of police pay levels and I shall set in hand the preparation of regulations to give effect to it. I do

This is not consistent with what

The Home Secretary said at his meeting with you.

The Rt Hon Nigel Lawson, MP

MS 29/7

CONFIDENTIAL



not propose to issue a press announcement about my decision: the PNB issued a press release immediately after the settlement was negotiated which referred to the proposed review and there is nothing to be gained at this stage by drawing attention to the size of the pay increase. I shall, however, take some suitable opportunity to make a public statement about the review in the autumn, after the Police Federations have confirmed that they are prepared to take part.

Copies of this letter go to the Prime Minister, the other members of E(PSP), the Secretary of State for Scotland and Sir Robert Armstrong.

*Handwritten initials:*  
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MASTER **CONFIDENTIAL**

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JD



10 DOWNING STREET

bc. Bowen

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From the Private Secretary

Dear Tony,

Police Pay

The Prime Minister had a word with the Home Secretary this morning about police pay.

The Prime Minister said that, if the proposals agreed in the Ministerial Sub-Committee on Public Sector Pay (E(PSP)) would cause difficulties with the police, she wondered whether it might not be better to seek a larger prize - e.g., a review body arrangement for the police, or their inclusion within the Armed Forces Pay Review Body. The Home Secretary said that the proposals, although within the Edmund Davies framework, might well cause difficulty with the police. But a review body solution would be much more troublesome, since it would involve the abandonment of Edmund Davies. He believed that Sir Harold Atcherley's efforts would be the best agency for reform, and that if Sir Harold discovered that the present system had led to a steady upward ratchet for police pay, he would do all he could to correct it. The Government should, meanwhile, hold back for a short time agreement to this year's pay increase as a lever to encourage the police to agree to Sir Harold Atcherley's review.

The Prime Minister said that she was content with this approach.

I am sending copies of this letter to the Private Secretaries to other members of E(PSP), the Secretary of State for Scotland and to Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

A.R. Rawsthorne, Esq.,  
Home Office.

**CONFIDENTIAL**

Stamp



*if no*  
*(1)*

Prime Minister

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

*Endorse*

PRIME MINISTER

*I should like to see the Home Sec about this and*

*these conclusions?*

*MCS 18/7*

**POLICE PAY**

The Ministerial Sub-Committee on Public Sector Pay (E(PSP)) met under my chairmanship on Wednesday 13 July to discuss police pay. We had before us a memorandum by the Home Secretary (E(PSP))(83)12).

2. As you know, under the recommendations of the Edmund Davies Committee increases in police pay are based on the annual increase in the Average Earnings Index between May and May. This year's increase, which is due to take effect from 1 September, is expected to be about 8 per cent. Negotiations in the Police Negotiating Board (PNB) begin on 21 July. As police pay is determined by statutory regulations, the Government cannot stand aside from a settlement.

3. An increase of 8 per cent is uncomfortably large by the standards of the current pay round, let alone what we hope for in the next. Nevertheless, the Sub-Committee agreed that there was no alternative to allowing the Edmund Davies formula to take effect. Any attempt to upset the formula would be bitterly resisted by the police; and it would be impossible to change the present arrangements without proper notice and lengthy negotiations. Other considerations apart, this would work against one of the objectives which the Sub-Committee agreed was important: to do as much as possible to represent the increase as the tailend of the 1982-83 pay round rather than the opening of the 1983-84 round.

4. Whatever view may be taken of the principle of indexing police pay, there is no doubt that a good deal is wrong with the detailed working of the Edmund Davies formula. It links increases in the basic pay rates of the police to increases in earnings elsewhere; and in times of declining pay settlements it will consistently give increases in police pay above the current average. The Sub-Committee therefore fully endorsed the Home Secretary's proposal that the

*including back-pay*  
*MCS*

*||*



Government should propose a review of police pay levels. The proposal would be based on one of the Edmund Davies recommendations which made explicit provision for either side of the PNB to ask for such a review. The purpose of the review would be to establish whether the police are paid a fair rate for the job they do and the responsibilities and risks they take in comparison with others in the public and private sector. It should show whether major adjustments are called for in pay levels or the Edmund Davies formula; and it could pave the way for the introduction of a more flexible arrangement which would take account of recruitment and retention and other conditions of service. It would be for the PNB to decide how the review should be conducted, although it is likely that they would involve the Office of Manpower Economics, which already services the PNB.

5. The Sub-Committee recognises that the review, since it would be conducted within the Edmund Davies framework, could not be expected to result in any radical change in police pay arrangements. The most which could be achieved would probably be a more flexible application of the comparability formula and it would be up to the Official Side subsequently to endeavour to take maximum advantage of such room for negotiation as was secured. The Sub-Committee nevertheless felt that a review on this basis would be worthwhile, both on its merits, and as a means of reassuring other public service groups who were becoming increasingly resentful of what they saw as unduly favourable treatment for the police.

6. It is also relevant that the Official Side of the PNB are currently proposing to change the system of rent allowances, which are paid to the 70 per cent or so of police officers who are not in police housing. The aim is to halt the escalating increase in expenditure on rent allowances and to hold it at about current levels. The Police Federation are opposed to change; but again, we can use the existence of the proposals to some effect in discussion with staff representatives elsewhere.

7. Finally, the Sub-Committee discussed what could be said to the local authority associations about the expenditure implications of the pay settlement. 50 per cent of police expenditure is covered by specific grant; the remainder is



relevant expenditure for the purposes of Rate Support Grant (RSG). Last year, the local authorities were given assurances concerning the specific grant; adjustments to the total of relevant expenditure; and the cash limit on block grant in excess of the amount already allowed in the RSG settlement. They were also assured that no police authority would incur extra block grant abatement in 1982-83 because of additional expenditure due to the pay award. The Home Secretary wished to give similar assurances for 1983-84 and 1984-85, except that the assurance in respect of block grant abatement would apply only to 1983-84.

8. The Chief Secretary, Treasury was unwilling to go so far, especially given the situation on local authority current expenditure generally. The Sub-Committee agreed that the Home Secretary should be authorised to give assurances similar to last year's to cover the current financial year; but that nothing should be said about 1984-85. This agreement was not to be taken as prejudicing what might be decided regarding that or later years.

9. If agreement is reached in the PNB on 21 July, the Home Secretary will need to announce whether or not he endorses it. The Sub-Committee agreed that he should endorse it; and that his announcement should draw attention both to the proposed review of police pay levels and the proposals of the Official Side on rent allowances.

(Thursday)  
10. The Government will not need to take a public position on the police pay settlement before 21 July. However, the Home Secretary will need to give the remainder of the Official Side of the PNB early next week an indication of the Government's views on the matters discussed in this minute. The possibility cannot be excluded that this will leak.

11. I am sending copies of this minute to the other members of E(PSP), the Secretary of State for Scotland, and Sir Robert Armstrong.

(N.L.)

15 July 1983

Police  
May '79, Ray



18 JUL 1983

MR SCHOLAR8 July 1983

cc Mr Mount

POLICE PAY

The police have done well out of the Edmund-Davies formula which links their basic pay to average earnings. The basic pay of a constable (a rank which counts for 80% of federated ranks) working outside London is currently between £6190 and £9800. He would in addition probably receive £15-25 a week from his 2-4 hours overtime, plus a tax-free weekly rent allowance of £30-40. This last allowance is based on the out-dated assumption that the policeman is required to live on his beat and is provided with a police house for this purpose. In fact, most policemen prefer to buy their own houses near to but not necessarily in their own beat. In these circumstances, the rent allowance has a doubtful justification.

Police pay may now be in excess of the level needed to recruit and motivate. It is no surprise that this is so because the Edmund-Davies formula excludes consideration of these factors. The Home Secretary's memorandum proposes a review, linked to a quick settlement based on the Edmund-Davies formula. It will be important to set the terms of reference for this review correctly if the Government is to avoid setting up a situation in which the police win all the arguments. There would be little point in asking the Police Negotiating Board to carry it out, composed as it is of the police representatives, local authorities cushioned against the cost of excessive police pay by the Exchequer and a sympathetic Home Office. The composition of the Review Body needs to go wider than this, and its terms of reference must include recruitment. Fortunately, the Edmund-Davies report provides a useful peg: paragraph 46 of the report specifically refers to recruitment as a subject which would need to be considered by a review of this kind.



In my view it is too late to do anything at all about the 1983 settlement. It might be possible to substitute for the year-on-year increase in earnings to May (which is boosted this year by back pay) an alternative, slightly lower figure based on "underlying earnings". This could, at most, reduce the settlement from 8% to 7%. However, the Police Federation would regard this substitution as sharp practice. The May figure has been used up till now. If the Government wished to change the formula it would have had to secure agreement before the figures were actually known. Tactically, given that the police settlement is an embarrassment which should be got out of the way with the minimum of fuss, the Government might be unwise to embark on an argument about less than a percentage point which they might well fail to win.

The priority now is to begin preparing for a review which will succeed in injecting market considerations back into the pay negotiations. The Home Secretary should be invited to consult colleagues at the earliest opportunity; delay will land us in 1984 in the same uncomfortable position we are in now. This review should embrace rent allowances (and their fictional basis).

He is  
consulting  
Mem. in (P(SP))

MCS

On handling, the settlement should, as is suggested, be linked to the review on pay but nothing should be said which committed the Government to the form which this review might take.

NICHOLAS OWEN



PK Adies ✓ JV

Prime Minister ①

Shall I endorse

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

X on your

PRIME MINISTER

behalf?

MS 31/1

*I may not be possible to avoid them*

POLICE PAY ARRANGEMENTS

Michael Scholar's letter of 24 January indicates that you are not inclined to pursue at present the options identified by the Official Committee on Public Service Pay for changes in police pay arrangements.

2. I myself see some advantage in proposal (a) in paragraph 8 of Mr Gregson's minute of 14 January but I accept that now is not the time to pursue it further. However, I think that we shall need to return to it later. The present arrangement, with its automatic index link, is very difficult to reconcile with our wider emphasis on the role of market forces in determining pay. The proposed modification would at least enable us to show that market factors were not neglected in this case. It would also give some room for manoeuvre on the size of police pay settlements and their distribution between grades.

X |

3. All I would ask for the present is that we should avoid public statements which would limit our ability to make progress when the time is right.

/4. I am copying



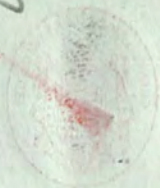
4. I am copying this minute to the Home Secretary, the Secretaries of State for Northern Ireland, Scotland and Employment, and to Mr Sparrow and Sir Robert Armstrong.

G.H.  
28 January, 1983

Police : Blue Jay ~~Mar~~ 79

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COPIED

11

289



cc: Mr. Verelker

10 DOWNING STREET

*From the Private Secretary*

MR. GREGSON

CABINET OFFICE

POLICE PAY ARRANGEMENTS

Thank you for your minute of 14 January, with which you enclosed a copy of the Report on the police pay system by the Official Committee on Public Service Pay.

The Prime Minister saw these papers over the weekend. She was most grateful to you and to the Official Committee for the work they have done on this matter. On the matters for decision, set out in paragraph 8 of your minute to me, the Prime Minister's conclusion is that in present circumstances none of the possible changes envisaged would be worth making. The Prime Minister is, therefore, inclined not to pursue these particular suggestions at present.

I am sending copies of this minute to John Halliday (Home Office), Margaret O'Mara (HM Treasury), John Lyon (Northern Ireland Office), Muir Russell (Scottish Office), Barnaby Shaw (Department of Employment), John Sparrow (CPRS) and Richard Hatfield (Cabinet Office).

MCS

24 January 1983

289

MR SCHOLAR

cc Mr Mount

*Having seen Lord Alton's letter to be satisfied the need to increase the pay will be very difficult. I don't think we should do it. I think we should not.*

X overleaf seems to me too

*peremptory. I understand that the Chancellor inclines towards 8(ii)(a); and Mr Tebbit doubts whether these changes would be worth the row.*

POLICE PAY

*Do you want a meeting with them and the Home Secretary + Peter Gregson?*

(attached)

You invited my comments on Peter Gregson's note of 14 January, MCS 21/1 to which was attached the report of the restricted group of officials (including myself) which considered how to improve the arrangements for determining police pay.

The first thing to say is that the group interpreted its terms of reference very narrowly, and remained strictly within the limits established by the Prime Minister, and recorded in your letter of 2 November: there was no consideration of the abandonment of Edmund Davies, nor of making any radical change in police pay arrangements.

As a result, it is not surprising that the group has concluded that only rather limited improvements can be made in the arrangements. A substantial reduction in the level of police pay, and indeed in the level of future settlements, will not be achieved until the present highly favourable indexation arrangements are ended.

The changes suggested by the Official Group are nonetheless worthwhile - especially the introduction of a range of a percentage point or so, either side of the increase produced by the indexation formula, within which market factors would be taken into account (paragraph 5 of Peter Gregson's covering note). That would be consistent with our general approach to public sector pay, and would tend to result in settlements lower than would otherwise be the case because the police are having no difficulty in recruiting and retaining staff.

Both the official report and Peter Gregson's covering note indicate some doubt as to whether the small effect of these changes would be worth the effort involved in negotiating them. In my view the difficulties of negotiating with the Police Federation are always exaggerated by the Home Office. Far tougher negotiations

with highly organised unions take place elsewhere in the public sector. And the principal benefit of achieving the change is not so much the effect on police pay, but on pay in the rest of the public services. As the official report says (paragraph 4.1(b)) the police are widely perceived at present as enjoying different and better treatment than most public service employees, and that makes it harder to get pay lower generally.

I do not believe that Ministers will find it any easier to get out of the Edmund Davies commitment after an election. Our advice is that we should make the small improvements now offered, that is both the technical change described in Peter Gregson's note, and the introduction of the range for market factors. Even 1 or 2% saved on a pay settlement is a valuable achievement now that inflation is moving towards low single figures.

Peter Gregson is right to warn that there will be some opposition to this from the Prime Minister's colleagues. There generally is, when it comes to tightening the noose on pay, however slightly. It might be best to avoid a meeting: if the Prime Minister agrees, you could write to Mr Whitelaw's office saying that she is satisfied that it is in the wider national interest to make the small changes suggested.

J.

17 January 1983



Chamber 8 (a) met (b)  
Mr Professor Lohle

CONFIDENTIAL  
AND PERSONAL

P.0938

Prime Minister

MR SCHOLAR

POLICE PAY ARRANGEMENTS

This minute is to direct your attention to the circulation list at the end of my minute to you of today's date covering PSP(0)'s report on police pay.

2. Bearing in mind the Prime Minister's concern with the political sensitivity of this issue, and her wish that it should be considered not by E(PSP) but by her and a small group of Ministers, I have sent copies only to the minimum number of Ministers, ie to the two Ministers with general pay responsibilities and the three Ministers with police responsibilities. I have not sent copies to ~~six~~ six Ministers who are members of E(PSP). Three of them (the Secretaries of State for Education and Science, the Environment, and Social Services) have a strong interest in the repercussive effects of the police pay arrangements and an official from each of these departments (albeit on a tightly restricted basis) has assisted in the preparation of the PSP(0) report. I am assuming that if the Prime Minister wants the report to be circulated additionally to these three Ministers, or to other Ministers, you will instruct me accordingly.

I assume  
you want  
no further

circulation.

Agree?

MCS 21/1

3. The Prime Minister will also wish to consider whether she wants a meeting to discuss the report as she envisaged earlier. It is to be expected that the three Ministers with police responsibilities will argue against making even a modest change in the police pay arrangements during the life of this Parliament. It is more difficult to judge what view the Chancellor of the Exchequer and the Secretary of State for Employment will take. The Prime Minister will probably not however want to have a meeting unless she or at least one of the two Ministers with general pay responsibilities feels strongly that some change should be attempted within the life of this Parliament.

*PLG*

P L GREGSON

14 January 1983

CONFIDENTIAL  
AND PERSONAL





CONFIDENTIAL  
AND PERSONAL

P.0936

MR SCHOLAR

POLICE PAY ARRANGEMENTS

The Official Committee on Public Service Pay (PSP(0)) was asked to consider how the arrangements for determining police pay might be improved, while avoiding any radical change in the near future, and maintaining the Government's commitment to uphold the Edmund-Davies Report; the Prime Minister said that she would wish to discuss PSP(0)'s report with the Ministers most closely concerned. (Your letters of 13 October and 2 November to the Home Secretary's Private Secretary).

2. PSP(0) found that the Edmund-Davies formula for up-dating police pay has three main defects:

i. it has led to increases in police pay which have been out of line with pay increases in the public services and, on occasion, with earnings more generally;

ii. it is based solely and automatically on comparability, and does not allow for other considerations such as market factors and affordability;

iii. it has some technical defects which mean that in certain circumstances it may not achieve its presumed objective of retaining the relativities between police pay and the pay of other groups established by Edmund-Davies.

3. The Edmund-Davies Committee said (paragraph 266 of their Second Report) that it was not their intention "to impose an inflexible system upon the new negotiating body" and they recommended "that either side ..... should be able to propose variations to the up-dating process in the light of changes either in the police service or in pay movements in the economy as a whole". PSP(0) therefore considered how the up-dating process might be varied or made more flexible so as to remedy some or all of the identified defects.

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AND PERSONAL



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AND PERSONAL

4. One option examined by PSP(0) was to correct the technical defects and in particular to deal with the time lag problem. The difficulty at present is that police pay increases under the formula reflect movements in average earnings several months ago. Thus, when inflation is falling, police pay increases tend to be greater than the increase in average earnings; the opposite applies when inflation is accelerating. PSP(0) devised a method of dealing with this problem which is set out in the report. They concluded however that the practical advantages of such a change would be modest. Although it would keep police pay increases more precisely in line with average earnings in each year, it would not help to bring the approach to police pay more in line with the approach to public service pay generally. There would also be the disadvantage that the police pay negotiations would have to be re-timed to November or thereabouts when their repercussive effects might be greater.

5. The other main option considered by PSP(0) was to apply the up-dating formula in a less automatic way. So far as affordability is concerned, the possibility already exists for Ministers to set aside a recommendation from the Police Negotiating Board, although this is clearly a power which would be used only very occasionally and in extreme circumstances. There is however no satisfactory means at present of bringing market factors into police pay determination despite the stress laid on recruitment and retention by the Edmund-Davies Committee (see extract quoted in paragraph 3.10 of PSP(0)'s Report). PSP(0) therefore envisaged that a negotiating range might be established either side of the increase generated by the up-dating formula - say of one percentage point in the case of a single figure pay increase or more in the case of a larger increase. Negotiations taking account of information about recruitment and retention (very good in recent years and likely to remain so over the next year or two at least) would determine the outcome within the range. This process of constrained bargaining would be similar in basic concept but not in detail to the proposals made by the Megaw Committee for the Civil Service. Further flexibility might also be achieved by moving away from the present system under which the same increase is applied automatically to all grades to an approach under which the increase emerging from the main negotiation was regarded as a kitty for allocation among grades either in negotiation or by the exercise of management discretion.

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AND PERSONAL



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AND PERSONAL

6. PSP(0) recommend that, if Ministers wish to make some changes in the police pay system in the short term, this second option would bring the most benefit. It might result in police pay increases up to one percentage point less than under the existing formula which would be a substantial reduction if the pay settlement were in low single figures; and it would enable the Government to argue that the police pay arrangements, like those for other public service groups, were no longer based solely on comparability but with some regard to market factors.

7. In deciding whether to make even this limited change in the short term, Ministers will need to bear in mind the changes in the police rent allowance system now being negotiated and their effect on police attitudes, the risk that a modest change now may make it more difficult to achieve a radical change in the future, and the possible adverse effects on the Government's wider objectives for the police such as the achievement of changes in force organisation, policy methods, training and the complaints system.

8. The issues for Ministers are therefore as set out in paragraph 4.7 of the report, ie:

- i. whether they wish to make any changes in the police pay arrangements during the remaining life of this Parliament;
- ii. if so, whether these changes should involve:
  - a. the introduction of market factors within a negotiating range on the lines indicated in paragraphs 3.10 and 3.11 of the report and the use of the formula to generate a kitty as described in paragraph 3.14; or
  - b. the rectification of the technical deficiencies in the up-dating formula discussed in paragraphs 3.5 and 3.6 of the report; or
  - c. both a. and b.

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AND PERSONAL



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AND PERSONAL

In the light of Ministers' decisions on these questions further work by PSP(0) may be necessary to develop the preferred option in detail.

9. I am sending copies of this minute and of the report to the private secretaries to the Home Secretary, Chancellor of the Exchequer and Secretaries of State for Northern Ireland, Scotland and Employment, to Mr Sparrow and to Sir Robert Armstrong.

*Pg*

P L GREGSON

14 January 1983

CONFIDENTIAL  
AND PERSONAL



file as per

da

10 DOWNING STREET

THE PRIME MINISTER

13 December 1982

Dear Lord Plowden,

I was very pleased to have the opportunity when we met on 10 December to thank you personally for the distinguished service you have given as Chairman of the Police Negotiating Board.

As I said when I first invited you to accept this appointment, an effective negotiating body is essential to the morale of the police service, and the impartiality of the independent Chairman is a crucial factor. That the Board has been able to put behind it the acrimony and mistrust which marked the end of the Police Council and that it has negotiated in a constructive manner for the good of the police service is due in no small measure to your wise leadership and the deep respect in which you have been held by both sides. My colleagues and I are very grateful for all that you have done for the police, both as Chairman of the Negotiating Board and in your other recent appointments.

And I am grateful for the advice you gave me yesterday about this whole matter.

Yours sincerely

Margaret Thatcher

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

Original in App's.

(4)

Prime Minister

7 COTTESMORE GARDENS

W8 5PS

01-937 4238

Ms 14/12

13th December 1982

Dear Michael,



Please thank the Prime Minister for seeing me on Friday and listening so patiently to my fears of certain problems that might arise in the future if the way in which police pay and conditions of employment are settled are changed.

Yours sincerely  
Edwin Howells

M. Scholar, Esq.  
Private Secretary  
10 Downing Street  
London SW1

CONFIDENTIAL

FILE

da



bc JV

10 DOWNING STREET

From the Private Secretary

10 December 1982

Dear Colin,

Call by Lord Plowden

Lord Plowden called upon the Prime Minister, at his request, this afternoon.

Lord Plowden said that morale in the police forces had been very low before the present police pay system was implemented. There had been pressure to abandon their no-strike rule, and many of the most able officers were then leaving the force or contemplating doing so. The Edmund-Davies pay formula had worked well. With hindsight, perhaps, the starting salary had been set too high, but efficiency had improved, there was no longer pressure for the right to strike, and numbers were well up to strength. The decision to increase pension contributions this year had been right, and had been accepted by the police, although with some resentment. It would be possible to make a similar move on rent allowances, which were too high and were tax free, but not before 1984. Lord Plowden said that he knew that the Treasury and one of the Prime Minister's advisers had suggested that the Edmund-Davies formula should be replaced by an Armed Forces Pay Review Body-type system. This would be very difficult, particularly since the decision on police pay was not a matter for the Government but for local authorities, some of whom would be happy to see a much less favourable position for the police. He urged the Prime Minister to make no change in the present system for two to three years. As inflation came down it would become progressively easier to live with. He hoped that it would be possible to keep the present system in place, and to confine negotiations to its fringes.

The Prime Minister said that all concerned would miss Lord Plowden when his appointment as Chairman of the Police Negotiating Board expired at the end of this year. He had done splendid work and she was most grateful to him. The link in the Edmund-Davies formula with average earnings over a preceding 12 month period had proved exceedingly favourable to the police, and had given them a better deal than virtually any other public sector group. This had created problems, for example, in relation to the nurses. She had been concerned at the comparison between the armed forces pay award and that for the police, in a year

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/in which

CONFIDENTIAL

da

in which the armed forces had been put to a severe test. She had also felt disquiet at the Police Federation's reception a month or so ago of the Home Secretary and Sir Kenneth Newman. She saw, however, the force of Lord Plowden's point. The police needed to be properly compensated for having renounced the right to strike, for their unsocial hours and so on. It would certainly not be worthwhile to change the present system if the price were to be a loss of police morale. The Prime Minister concluded the meeting by again thanking Lord Plowden for his service on the Police Negotiating and other Boards.

I am sending a copy of this letter to Margaret O'Mara (HM Treasury), Muir Russell (Scottish Office), John Lyon (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

*Yours sincerely,*

*Michael Scholar*  
—

Colin Walters, Esq.,  
Home Office.





HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

8 December 1982

*Dear Michael*

You told me that a short meeting between the Prime Minister has now been arranged for Friday at 3.30 p.m. As you know, Lord Plowden's appointment as Chairman of the Police Negotiating Board expired on 31 December.

Lord Plowden may refer to the long-term arrangements for settling police pay, as he appreciates the difficulties created by the recent high settlements for the police. As the Prime Minister is aware, the future arrangements for police pay are being considered by the Official Committee on Public Service Pay, on the basis that any changes should not involve the abandonment of the recommendations of the Edmund-Davies Committee, since the Government is committed to implementing them.

The Prime Minister may wish to ask Lord Plowden for his assessment of the current state of mind of the police staff associations, since this could influence the prospects for negotiating changes in the next 12 months. In public, they have expressed considerable resentment about the large increase in pension contributions (from 7% to 11%) which the Government imposed in September. They have also registered concern about the future of rent allowances. This is the system of payments to police officers who do not live in police housing. The Association of Metropolitan Authorities wishes to abolish the allowance and its future is being considered by the Official Side of the Police Negotiating Board, who are likely to put proposals for a revised system to the Staff Side in the New Year.

Lord Plowden, who is now 75, has made an outstanding contribution to the police service in recent years. He was Chairman of the Police Complaints Board from its inception in 1976 until December 1980. He was Vice-Chairman of the Edmund-Davies Committee, which produced not only the well-known recommendations on police pay, but also lesser known, though equally important, recommendations for new negotiating machinery at national level and new consultative arrangements within forces. He became the first Chairman of the Police Negotiating Board in July 1979, guided it through the early stages, when memories of the discredited Police Council were still fresh in many minds, and agreed to stay on when his initial appointment expired in July 1982 to see through this year's particularly difficult pay negotiations. The police service (and, indeed, the country as a whole) owes Lord Plowden a deep debt of gratitude.

*Original in Appls.*

The Prime Minister will no doubt express her thanks personally when she meets him, but she may also wish to write to thank him formally for what he has done. A draft is enclosed.

Yours sincerely  
C. J. Walters

C. J. WALTERS

M. Scholar, Esq.

DRAFT LETTER

ADDRESSEE'S REFERENCE .....

TO	ENCLOSURES	COPIES TO BE SENT TO
<p>The Lord Plowden, KCB., KBE. Bridgewater House Cleveland Row St. James's LONDON SW1A 1DC</p>		<p>Home Secretary S. of S. for Scotland S. of S. for Northern Ireland</p>
(FULL POSTAL ADDRESS)		(FULL ADDRESSES, IF NECESSARY)

LETTER DRAFTED FOR SIGNATURE BY ..... PRIME MINISTER  
(NAME OF SIGNATORY)

I was very pleased to have the opportunity when we met on 10 December to thank you personally for the distinguished service you have given as Chairman of the Police Negotiating Board.

As I said when I first invited you to accept this appointment, an effective negotiating body is essential to the morale of the police service, and the impartiality of the independent Chairman is a crucial factor. That the Board has been able to put behind it the acrimony and mistrust which marked the end of the Police Council and that it has negotiated in a constructive manner for the good of the police service is due in no small measure to your wise leadership and the deep respect in which you have been held by both sides. My colleagues and I are very grateful for all that you have done for the police, both as Chairman of the Negotiating Board and in your other recent appointments.

Concise

BF

Prime Minister ①

7 COTTESMORE GARDENS

W8 5PS

01-937 4238

Arranged for  
1530 Friday 10<sup>th</sup> Dec.

Engagement from Home Office  
by 1300 9/12

30th November 1982

Shall we arrange  
a meeting?

Yes  
no

MUS 2/12

From Prime Minister.

At the end of this year I am giving up the chairmanship of the Police Negotiating Board. This will end over six years of close association with the police as Chairman of the Police Complaints Board, Deputy Chairman of the Edmund-Davies Committee of Enquiry into the Police, and Chairman of the Police Negotiating Board. In that time I have learned much about the police and their organisation.

I would be grateful if you could spare me not more than half an hour of your time so that I can tell you of certain problems I foresee might arise in the future in relation to the way that the terms and conditions of their employment are settled.

Yours sincerely  
Edwin Hillier

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

Original in Appls.

CONFIDENTIAL

MR MOUNT

cc Mr Scholar ✓  
Mr Shipley ✓

POLICE PAY

The Official Group on Pay had its first discussion yesterday, in a restricted session, on Police Pay. This follows the Prime Minister's agreement that work could be done on future police pay arrangements, as long as it did not encompass abandonment of Edmund-Davies.

The Home Office, represented by Robert Andrew, who is the Deputy Secretary responsible for the police, took the opening position that the way in which Edmund-Davies has worked hitherto has been over-rigid and has led to overgenerous awards. Radical change to the system would present practical difficulties and would be constrained politically, so we should be looking to improve the work of the Edmund-Davies system rather than to replace it. The Home Office paper proposes a system of "constrained bargaining", under which information on recruitment and wastage levels in the police would be taken into account by the Home Secretary, in making his decision after he has received the Report of the Police Negotiating Board, a report which is of course largely based on the Edmund-Davies formula.

This proposal appeals to no-one in the group. Most of the departments represented argued for a Review Body; but the case for that was rather spoiled by a particularly weak presentation by the Treasury of the way in which a Review Body could work in parallel with the Police Negotiating Board. All are agreed that the PNB must be retained, in order to remain within the constraints set out by the Prime Minister. A number, including myself, were opposed to any system (such as that suggested by the Home Office) in which a figure would be determined independently and established as a target for the settlement, leaving Ministers each year in the invidious position of looking for arguments to reduce it.

CONFIDENTIAL

Mr Fisher

To see

ms 17/11

DA  
Thank you

DB

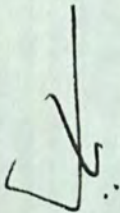
17/11

I argued for, and obtained, agreement that the group should undertake a reasonably rigorous analysis of the extent to which the present formula presented problems, and of the constraints on making changes.

In the first category, the group will take papers from the Home Office on pay increases and absolute levels of pay over a ten year period, including factors such as the rent allowance (in some cases worth £3,000 and then grossed up for tax). The Department of Employment will provide a paper on the technical aspects of the Edmund-Davies formula, and notably of the difficulties that arise in linking basic pay to an average earnings index. I suggested that we would also need to look at the scope for linking some part of the pay to performance, through discretionary payments.

In the second category, we have already run over the ground in looking at the nature of Ministerial commitments, and the constitutional position of the police vis-a-vis local authorities and their employers.

I think there is a reasonable chance of making some progress, within the constraints we have to accept. If you or Peter has any suggestions, I shall be glad to have them.



17 November 1982

SECRET



10 DOWNING STREET

From the Private Secretary

2 November 1982

BF

bc MW Venekov  
cc R. Hatfield

Dear Colin,

Police Pay

Thank you for your letter of 19 October in which you set out the Home Secretary's views about the consideration to be given by the Official Committee on Public Service Pay, to police pay arrangements.

I showed this to the Prime Minister, who had a word with the Home Secretary on the matter after Cabinet this morning. The Prime Minister told the Home Secretary that it was her understanding that the Official Committee on Public Service Pay was not considering the abandonment of Edmund Davies, or the making of any radical change in police pay arrangements in the near future. What they were doing, in response to my letter to John Halliday of 13 October, was to look at different ways in which the Edmund Davies formula might be applied, with a view to reducing the inconsistency between Edmund Davies' recommendations and those elsewhere. The Chairman of the Official Committee had assured the Prime Minister's office that all concerned were well aware of the political sensitivity of the whole issue.

After a brief discussion, the Prime Minister and the Home Secretary agreed that work on future policy pay arrangements should be carried out on the basis described above. The Prime Minister said that she would wish the conclusions of the Official Committee to be reported to her, and she would arrange for them to be considered in a small Ministerial group which she would chair.

I am sending copies of this letter to Margaret O'Mara (HM Treasury) and Barnaby Shaw (Department of Employment). I would be grateful if you and they would ensure that this letter is given the most limited possible circulation.

Yours sincerely,

Michael Scholar

C.J. Walters, Esq.,  
Home Office

SECRET

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PRIME MINISTER

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Police pay

The Home Secretary indicated to you the very serious political difficulties which he sees in the way of making any radical changes in police pay arrangements in the near future. He said that he was concerned at the damage that would be done both in the police service and among Government supporters if it became known that the abandonment of Edmund-Davies was even being considered in Whitehall. This arose from my letter in which I recorded that you wished the subject of future arrangements for determining police pay to be considered by the Official Committee on public service pay.

This led you to instruct that the matter should not be taken any further at present, and to say that you agreed with the Home Secretary (papers attached).

I think we are in danger of being at cross-purposes with the Home Secretary. Mr. Gregson's Official Committee on public service pay is not considering the abandonment of Edmund-Davies, or the making of any radical change in police pay arrangements in the near future. What they are doing, in response to my letter, is looking at different ways in which the Edmund-Davies formula may be applied, with a view to reducing the inconsistency between Edmund-Davies's recommendations and those elsewhere. The Home Office, with the Home Secretary's agreement, have put in a paper to this Committee on the way forward. Mr. Gregson assures me that all concerned are well aware of the political sensitivity of the whole issue.

The whole exercise is, then, a much more limited one than was implied in the Home Secretary's letter. Content for it to proceed on this subject, on the understanding that it reports to a very small group - say yourself, the Home Secretary, the Chancellor and Mr. Tebbit?

MCS

Yes - but will just have a word with the Home Secretary

1 November 1982



Police cc J.V.

CONFIDENTIAL



Prime Minister (2)

HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

Mis 21/10

19 October 1982

Dear Michael

Do not take this any further at present. I am with the Home Secretary.

POLICE PAY

We have noted from your letter of 13 October that the Prime Minister wishes the subject of future arrangements for determining police pay to be considered by the Official Committee on Public Service Pay, and we will arrange for a suitable paper to be put to the Committee by Home Office officials. Meanwhile, the Home Secretary has asked me to emphasise the very serious political difficulties which he sees in the way of making any radical change in police pay arrangements in the near future and which he mentioned in his letter to the Chancellor of 7 October. He thinks it inconceivable that in what may well be an election year the present Government should embark on highly controversial legislation to dismantle the machinery for settling police pay which it set up only three years ago. The personal commitment of both the Home Secretary and the Prime Minister to the principles of the Edmund-Davies Report is very strong: I attach some examples of public statements on the subject from the Conservative Party Manifesto (A), the Second Reading of the Police Negotiating Board Bill when Mr Brittan, then a Home Office Minister, was the Government spokesman (B), and the Prime Minister's own reply to a question from Mr Hamilton last March (C).

The Home Secretary is also concerned at the damage which would be done, both in the police service and among the Government's supporters, if it became known that the abandonment of Edmund-Davies was even being considered in Whitehall. (He has received no fewer than 127 letters from Conservative MPs protesting at the way in which the increase in pension contribution was imposed on the police in September.) It will therefore be necessary for the study to be undertaken in strict confidence.

I am sending copies of this letter to John Kerr (HM Treasury), Muir Russell (Scottish Office), John Lyon (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

Yours sincerely  
C J Walters

C J WALTERS

M C Scholar, Esq.

CONFIDENTIAL

## 4. The rule of law

THE MOST DISTURBING THREAT to our freedom and security is the growing disrespect for the rule of law. In government as in opposition, Labour have undermined it. Yet respect for the rule of law is the basis of a free and civilised life. We will restore it, re-establishing the supremacy of Parliament and giving the right priority to the fight against crime.

### THE FIGHT AGAINST CRIME

The number of crimes in England and Wales is nearly half as much again as it was in 1973. The next Conservative government will spend more on fighting crime even while we economise elsewhere.

Britain needs strong, efficient police forces with high morale. Improved pay and conditions will help Chief Constables to recruit up to necessary establishment levels. We will therefore implement in full the recommendations of the Edmund Davies Committee. The police need more time to detect crime. So we will ease the weight of traffic supervision duties and review cumbersome court procedures which waste police time. We will also review the traffic laws, including the totting-up procedure.

### DETERRING THE CRIMINAL

Surer detection means surer deterrence. We also need better crime prevention measures and more flexible, more effective sentencing. For violent criminals and thugs really tough sentences are essential. But in other cases long prison terms are not always the best deterrent. So we want to see a wider variety of sentences available to the courts. We will therefore amend the 1961 Criminal Justice Act which limits prison sentences on young adult offenders, and revise the Children and Young Persons Act 1969 to give magistrates the power to make residential and secure care orders on juveniles.

We need more compulsory attendance centres for hooligans at junior and senior levels. In certain detention centres we will experiment with a tougher regime as a short, sharp shock for

## POLICE NEGOTIATING BOARD BILL [Lords]

*Order for Second Reading read.*

6.20 pm

The Minister of State, Home Office (Mr. Leon Brittan): I beg to move, That the Bill be now read a Second time.

The purpose of the Bill is to give effect to the recommendations of the Edmund-Davies report on the police negotiating machinery—Cmd. 7283—which was presented to Parliament in July 1978. It is not a long Bill, and its effects will not be far-reaching. It is nevertheless an important Bill, since it will establish on a statutory basis the negotiating machinery that is essential to the long-term health of the police service.

Perhaps I might remind the House of the background to the Edmund-Davies report. For over 60 years—since 1919—police pay has been determined by the Secretary of State, who promulgates the rates of pay in police regulations. This is an essential feature of the Secretary of State's responsibility for ensuring the efficiency of the police service. Throughout this period there has been a national body, in one form or another, comprising representatives of the Secretary of State, police authorities and the police staff associations, set up for the purpose of considering the pay and conditions of service of members of the police service. Each successive body has borne the title of Police Council. At first, there were separate Police Councils for England and Wales and for Scotland, and their role was to advise the Secretary of State in the exercise of his responsibilities. Under the Police Act 1964, a single Police Council for Great Britain was established to negotiate pay and conditions of service. At the same time another statutory body, the Police Advisory Board, was set up to advise the Secretary of State on consultative matters affecting the police service. In 1969, the Police Council was expanded to embrace Northern Ireland, and became the Police Council for the United Kingdom.

Section 4 of the Police Act 1969 defined the task of the Police Council for the United Kingdom as

"the consideration . . . of questions relating to hours of duty, leave, pay and allowances, or the issue, use and return of police clothing, personal equipment and accoutrements."

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The Police Council accordingly dealt with all matters that were dealt with by negotiation affecting the police service, together with matters affecting police pensions. Under the 1969 Act the Secretary of State was required, before making regulations on pay or conditions of service, to take into account any recommendation made by the council. In practice, the procedure was normally for amending regulations to be produced to give effect to agreements reached by the council; changes in the regulations were rarely put forward by the Secretary of State.

In July 1976 a dispute over the pay settlement due under the pay policy prevailing at that time came to a head when the Police Federations for England and Wales and for Northern Ireland walked out of the Police Council and announced that in future they would negotiate only with the Secretary of State. At the same time, they declared that they would not be prepared to take part in the work of other national police bodies, such as the Police Advisory Board. They would be prepared to resume their former policy of co-operation only after more suitable negotiating machinery had been established. Since the Police Federations represent the vast majority of police officers—all those below the rank of superintendent—the Police Council ceased to be effective and the work of the other national police bodies was similarly affected.

For the next 12 months, morale in the police service was at a very low ebb. All ranks of the police service felt—with justification—that they were underpaid and undervalued. They considered it totally unjust that at a time when the police were assuming increased responsibilities, coping with increasing demands and being exposed to increasing stresses—including the risk of serious injury—many constables were finding it increasingly difficult to make ends meet. Pay was at the root of the problem, but their sense of frustration was increased by the fact that they could see no redress for their grievances unless they were given new negotiating machinery, which would command the full confidence of the police service. Like members of the Armed Forces, the police officer has no right to press for improved pay or conditions of service by withdrawing his labour. If he

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is dissatisfied with his conditions he has just two options: to seek improvements through the statutory negotiating machinery or to resign.

In a situation where the negotiating machinery had broken down, increasing numbers of policemen felt that they were, in fact, left with only one option; they took it and resigned. At no other period in police history has there been such a severe wastage of experienced officers through resignation, and there were just two underlying causes—dissatisfaction with pay and dissatisfaction with the negotiating machinery. Others felt that the only way of achieving a fair rate of pay was by industrial action and at the Police Federation's annual conference in May 1977 a resolution calling for the police to be given the right to strike was endorsed by an overwhelming majority. It was against this background that the Edmund-Davies committee was appointed in August 1977 to review the police negotiating machinery and make recommendations. Four months later, its terms of reference were extended to include the issue of police pay.

The debt that we owe to the committee has been widely acknowledged. It is difficult to think of any report that has been welcomed as unreservedly and with as great a degree of unanimity as the Edmund-Davies report on police pay. This was a well-earned tribute not only to the immense amount of work that the committee put into its demanding task but to the judgment that it displayed in formulating its recommendations. I think, too, that it reflected the esteem with which the police service is regarded very generally and served as an acknowledgement that the high standards that we rightly demand of our police officers must be reflected in adequate rates of pay.

The implementation of the committee's report on police pay completely reversed the trend during the two years preceding its publication. Between the end of 1976 and the publication of the committee's report in July 1978 the strength of the police service in England and Wales decreased by nearly 1,700. Most forces were under strength, some of them seriously so. Between July 1978 and the end of November 1979 the strength of the police service in England and Wales increased by about 5,500, to an all-time record of over 113,000. Recruitment is

now running at 40 per cent. above the rates for the 12 months ended 30 September 1978, while wastage is now about 35 per cent. below the rate for that period.

The present state of police morale is high. We want to keep it that way, but if we are to do so we need to get the negotiating machinery right. That is why the Edmund-Davies report on the police negotiating machinery—which went largely unnoticed when it was published in the same volume as the committee's report on pay—is so important. In general, the committee endorsed the overall shape of the existing negotiating machinery. It recommended that the new negotiating body, like the Police Council, should comprise an official side and a staff side. It thought it right that representatives of the local authority associations should, with representatives of the Home Departments, form the official side, since police forces are maintained by the local police authorities. It did, however, recommend three important changes.

The first change was that the new negotiating body should have an independent chairman and one or more deputy chairmen, appointed by the Prime Minister. This genuinely independent voice would not only provide continuity but might serve to help in bringing the two sides to agreement.

The second change was that the new body should have an independent secretariat. This would serve to ensure that suitable research facilities were available to both sides and so would overcome the disparities between the experience and expertise available to the official side and the more limited resources at the disposal of the staff side.

The third change was that one-third of the local authority representatives on the official side should be magistrates. This would ensure that the new negotiating body reflected the composition of police authorities, which are composed of two-thirds elected members and one-third independent magistrates.

The Edmund-Davies report recommended that legislation should be introduced as soon as parliamentary time could be found to give statutory effect to the new body; meanwhile, it should operate on a non-statutory basis. The new body, known as the Police Negotiating Board, was established after wide-ranging consultations with all the

[Mr. Brittan.]

interested parties in July 1979. The chairman is Lord Plowden, who was a most appropriate choice, not only because his qualities of judgment and impartiality made him acceptable to all parties, but because he was a prominent member of the Edmund-Davies committee. The effect of the Bill will be to complete the committee's work on the negotiating machinery by implementing the recommendation that the new body should be established on a statutory basis.

Turning now to the Bill, Clause 1 provides for the establishment of the Police Negotiating Board. Subsection (1) provides that it is to be composed of representatives of the police authorities and the police staff associations and that it is to consider such matters as police pay, allowances, pensions and conditions of service. Subsections (2) and (3) leave the detailed arrangements for the establishment of the board—that is, the board's constitution—to be made after consultations between the Secretary of State and the bodies represented on the board, but require the chairman and any deputy chairmen to be appointed by the Prime Minister. Subsection (4) gives the Secretary of State power to defray any expenses incurred by the board and to pay the chairman and deputy chairmen such fees as he may determine, with the approval of the Minister for the Civil Service. Subsection (5) provides that on the establishment of the board the Police Council for the United Kingdom shall cease to exist.

Clause 2 confers certain statutory functions on the board. Subsections (1) and (3) require the Secretary of State, before making regulations about matters with which the board is concerned, to have regard to any recommendation made by the board and to furnish the board with a draft of the regulations. As under existing legislation, this requirement does not apply to pensions matters, in respect of which the Secretary of State is merely required to consult the board before making regulations. Subsection (2) requires the board's constitution to include suitable arrangements for reaching agreement on recommendations to the Secretary of State and for the reference of any dispute to arbitration.

Clause 3 deals with repeals, and the short title, commencement and extent of the Bill.

Perhaps I might comment briefly on two of the more important Edmund-Davies recommendations that are not reflected in the Bill itself. The first is the recommendation that the new negotiating body should have an independent secretariat. As the explanatory and financial memorandum indicates, the independent secretariat will be provided by the Office of Manpower Economics. This has been agreed by all the interested parties during the extensive consultations which have preceded the establishment of the Police Negotiating Board on a non-statutory basis. But it seems right that formally the arrangements for the independent secretariat should be set out in the constitution of the board, which is to be drawn up through the consultations required under Clause 1(3) rather than through specific provision on the face of the Bill itself. That is the reason why the independent secretariat is not mentioned in the Bill. I can assure the House that there is no disagreement about the Edmund-Davies recommendation for the independent secretariat.

Mr. Eldon Griffiths (Bury St. Edmunds): I am glad that the hon. and learned Gentleman has said what he has. Of course, he is entirely right. The independent secretariat is running, is doing a good job, and has already been taken care of by the consequential arrangements under the clause that now retrospectively acknowledges its existence.

Mr. Brittan: I am grateful to my hon. Friend, in view of his particular position, for confirming what I have said.

The recommendation that one-third of the local authority representatives on the official side of the new negotiating body should be magistrates is a matter that I should deal with. The local authority associations were initially opposed to this recommendation, but in the consultations preceding the setting up of the board on a non-statutory basis they agreed to implement it. As with the question of the independent secretariat, it is appropriate to leave the arrangements giving effect to this recommendation to the consultations required under clause 1(3).

**Mr. George Cunningham** (Islington, South and Finsbury): The Minister has twice said that one-third of the official side—the representatives of the police authorities—would be magistrates. Just to get the record straight, would he qualify that by saying that that refers to the representatives of the police authorities in England and Wales, and not in the whole of the United Kingdom?

**Mr. Brittan**: I am grateful to the hon. Gentleman.

As I said earlier, this is a short Bill and, I hope, a non-controversial one. It is, nevertheless, very important for the long-term health of the police service, and for this reason I commend it to the House.

6.35 pm

**Mr. George Cunningham** (Islington, South and Finsbury): The main lines of this Bill are uncontroversial both in content and in origin. The Committee to which the Minister of State referred was established by my right hon. Friend the former Home Secretary and the present Government have inherited its recommendations and are implementing them, as the former Labour Government would have done.

From this side of the House, too, I want to pay a tribute to the Committee for its valuable work and above all to Lord Edmund-Davies, the Chairman appointed by my right hon. Friend. Committees of inquiry can be good or bad, but they are rarely a rapid means of disposing of a problem. In this case the speed of the work was as much to be commended as its quality, for the police service was passing through a crisis at that time and rapid decisions were needed.

But another tribute is due, and perhaps as someone who was not a member of the Labour Administration I can be permitted to pay it. My right hon. Friend the Member for Leeds, South (Mr. Rees) had the bad luck to be Home Secretary at a time when the pay policy which was such a vital part of our campaign—our successful campaign—to get inflation down and keep it down, made it difficult to do for the police what everyone would otherwise certainly have wanted to do. The problems with the police in 1976 and 1977 were caused by pay policy, but that pay policy worked. It got inflation down

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to levels that make today's level look quite South American by comparison.

My right hon. Friend the Member for Leeds, South deserved understanding then, and deserves thanks now, for having been the man in the middle who could not escape causing resentment from that fact. He got more kicks than ha'pence for his trouble at the time, not least from the then Opposition. If that situation existed today, and if that negotiating machinery existed today, the local authority representatives on the negotiating machinery would find it a great deal more difficult to cope, with the rigid restrictions on local authority expenditure which the present Government have imposed.

The police service has emerged from that unhappy period. The recommendations on pay made by the Edmund-Davies committee set up by my right hon. Friend have had a dramatic effect on recruitment, as the Minister said. Wastage is down by 30 to 40 per cent., and recruitment is up by 30 to 40 per cent.

This Bill, on the surface, deals with rather technical and detailed arrangements for negotiating police pay, but behind it lies a more fundamental question of the status of the police in relation to local and national government. We should address ourselves to that fundamental issue in the course of this debate, at least to some extent. It was, after all, the feeling of some of the Police Federations that they should negotiate with national Government, not with local government, which led to the walk-out about three years ago, and the new arrangements provided for in the Bill to some extent reflect that preference.

I want to deal first with the machinery proposed in the Bill. One problem that we have in doing so is that to a great extent this is an enabling measure. We cannot find in the clauses an account of just who will compose the official side of the board. The chairman and the deputy chairman will be persons appointed by the Prime Minister. We already know that Lord Plowden will be the chairman, as he is of the non-statutory board now, and we know the intentions as to the rough composition of the board as set out in the Edmund-Davies report, but we should have from the Minister tonight a better indication than we have had either at this stage or in the discussions in the House of

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Is one to assume that discourtesy to the leaders of great nations is now both obligatory and universally applied so far as the Labour Party is concerned?

**The Prime Minister:** I am grateful to my hon. Friend. I hope that we shall do honour to the president of a country who is a staunch and powerful ally in the defence of freedom and a great friend of Britain. To do otherwise would cause untold harm to our relations with that country, to the alliance and to the whole relationship between the United States and Europe. I remember the occasion when the Labour Party invited Mr. Kosygin to address both Houses of Parliament. We, on the Conservative Benches, loyally went along with it.

**Mr. Gordon Wilson:** Harking back to the question on the British National Oil Corporation, the Prime Minister said in her reply that the shares and value of BNO were a long-term asset that investors would realise and recognise. Will she agree, in those circumstances, that it would be more appropriate not to put those shares into the market because of the long-term potential and to make sure that the full value is recouped when the market for oil shares rises again?

**The Prime Minister:** No, Sir. We believe that public ownership is better expressed by shares being genuinely in the hands of individual men and women and not in the hands of the State. In particular, it gives a chance for all those who work for BNO to acquire a stake and a share in their own company.

**Q3. Mr. Ward** asked the Prime Minister if she will list her official engagements for 11 March.

**The Prime Minister:** I refer my hon. Friend to the reply that I gave some moments ago.

**Mr. Ward:** Has my right hon. Friend had time to study the advice given to the National Union of Mineworkers by Mr. Joe Gormley at a dinner given in his honour last night, to the effect that the trade union movement should reject Left-wing extremists? Does she not think that it would be helpful if the Leader of the Opposition endorsed this advice?

**The Prime Minister:** I believe that Mr. Gormley rightly condemns extremists in the trade unions. I believe that, in expressing that view, he is firmly supported by the vast majority of trade unionists as well as the vast majority of the people of this country. I also noted his remark that if one follows the leadership of the bully boys, it will be good riddance to a lot of jobs in British coal mining. He has the true interests of the workers of this country at heart.

**Mr. Allen McKay:** Will the Prime Minister therefore do a favour to Joe Gormley and ask her right hon. Friend

the Secretary of State for the Environment when he intends releasing a decision on the Vale of Belvoir as this is needed for replacement capacity in the Leicester coalfield? Or is there collusion between the Secretary of State for the Environment and the Secretary of State for Energy to sell off the Vale of Belvoir?

**The Prime Minister:** My right hon. Friend the Secretary of State for the Environment, who was responsible for making a decision on this planning application, will, I hope, be in a position to make an announcement soon.

**Viscount Cranborne:** Will my right hon. Friend find time today to study this week's reports in the *Washington Post*, particularly those referring to the right hon. Member for Crosby (Mrs. Williams)? Will my right hon. Friend find time to congratulate her on her perspicacity in recognising the resurgence in the fortunes of the Conservative Party?

**The Prime Minister:** I am grateful to my hon. Friend. I believe that the view expressed in the *Washington Post* will be shared by many people in Britain.

**Mr. William Hamilton:** I revert to the question of nurses' pay. Does the right hon. Lady regard it as defensible that her Government should agree to give the police a 13 per cent. increase this year while they give nurses a 6 per cent. increase? Is a nurse worth only half what a policeman is worth? Even with a 6 per cent. increase, a staff nurse will earn less in a year than the right hon. Lady has given as an increase this year to Princess Margaret.

**The Prime Minister:** The Government were pledged to uphold the Edmund-Davies report on police pay. They have done so and will continue to do so. The Government should not take lessons from the hon. Gentleman on nurses' pay. After all, it was the Labour Government who kept down nurses' pay in their last years and then referred the whole matter to Clegg.

**Mr. William Hamilton:** That is not true. The right hon. Lady is deceiving the House.

**The Prime Minister:** It was this Government who honoured the Clegg recommendations, who reduced the weekly working hours of nurses and it is this Government who now pay, through the taxpayer, 76 per cent. more on nursing pay bills than was paid on the day we came into power.

**Mr. William Hamilton:** Not a single nurse has got that.

**The Prime Minister:** The hon. Gentleman never did like the facts, but those are the facts.

Police, May 79, Pay



CONFIDENTIAL



10 DOWNING STREET

*Police*  
*he B*

*bc J.V.*  
*P. Gregson*

*From the Private Secretary*

13 October 1982

POLICE PAY

The Prime Minister has seen a copy of the Home Secretary's letter of 7 October to the Chancellor about police pay.

The Prime Minister is anxious to ensure that developments in the arrangements for determining police pay should be consistent with the development of the Governments overall approach to public service pay. Accordingly, she has asked that the Official Committee on Public Service Pay should consider these matters, and should draw up a number of alternative ways of improving the present arrangements, including of course that suggested in the Home Secretary's letter. The Prime Minister hopes that PSPO will be ready to present these matters to Ministers for decisions by the end of the year.

I am sending a copy of this letter to John Kerr (HM Treasury), Muir Russell (Scottish Office), John Lyon (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

John Halliday, Esq.,  
Home Office.

CONFIDENTIAL

MR SCHOLAR

cc Mr Mount

Prime Minister ①Agree John Verchev's  
very tactful line at X?

MUS 12/10

Yes  
mbPolice Pay

In his letter of 7 October to the Chancellor, the Home Secretary rejects the suggestion of a review body for Police pay, and suggests instead changing the updating arrangements (whereby Police pay is indexed to average earnings) by 'building on the Megaw approach'.

The case against the Edmund-Davies indexation formula is overwhelming. Police pay this year (10.3%), last year (13.2%) and the year before (21.3%) was at the top of the public service league; and it has now reached a level unjustified by the labour market. The fact that Police would resist any change is unsurprising, and not relevant. The Prime Minister has, of course, already said, in the context of the AFPRB, that the time has come to bring affordability and market factors to bear on Police pay.

There has not yet been any detailed official analysis of alternatives to indexation. Although the Home Secretary has concluded that establishing a review body would require legislation (which may not have to be particularly substantial or controversial), he has made a helpful suggestion for changing the updating arrangements. This may provide a way forward, particularly if it can be made more specific; and, to the extent that indexation remains a part of any new system, it would have to be organised so as to avoid a major dispute with the Police each year.

The Home Secretary suggests that his officials now try to move the Police Negotiating Board gently in the direction he has indicated. This is, I think, a little premature: the Megaw principles have not yet been endorsed by Ministers, and we all need to be a little clearer how the new arrangements would operate.

So I think the best way we can help Mr Whitelaw take his ideas forward, and at the same time keep them in line with the development of our overall approach to public service pay, is for the Prime Minister to suggest that Peter Gregson's group - the official committee on Public Service Pay - should draw up a number of alternatives for police pay determination, including of course that suggested by Mr Whitelaw; and present them to Ministers for decision by, say, the end of the year.

J.

12 October 1982

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**CONFIDENTIAL**



QUEEN ANNE'S GATE LONDON SW1H 9AT

7 October 1982

*Dear Jeffrey*

POLICE PAY

When we met on 10 June to discuss police pay you said that you would like to get away from the present system of indexation and suggested that the only alternative seemed to be a pay review body like the AFPRB, which might perhaps be extended to cover the police. I undertook to consider without commitment the possibility of creating a pay review body and to discuss it with you again once we knew how the negotiations on pension contributions and rent allowances had gone.

I have given very careful consideration to your suggestion. I think we would all accept that because the police are prohibited from striking there must be some special arrangement to settle their pay; and remitting it to an independent review body, like the AFPRB, which could take account of wider considerations than the Edmund-Davies formula, has obvious attractions. But there are very strong objections to such a course. Although the police are in the same position as the armed forces as regards the right to strike, their position is quite different in other respects. Unlike the armed forces which are under the direct control of central government, they are a local service, financed partly by local government. The statutory responsibility for providing and maintaining police forces rests with the local police authorities, and this is recognised by the local authority associations being represented on the Police Negotiating Board. To remove police pay from the Board and hand it over to an independent review body reporting direct to central government would exclude the police authorities and undermine the existing constitutional basis of the police service. Such a step would be strongly opposed by the local authority associations, as it would be by the police themselves who would see it as a direct attack on the Edmund-Davies Report to which they are so strongly attached, and which included recommendations on the negotiating machinery and the role of the police staff associations as well as the level of pay and the method of updating in the future.

Moreover, to transfer police pay to a review body would mean repealing the Police Negotiating Board Act 1980, which we introduced to provide the statutory basis for the new arrangements proposed by the Edmund-Davies Committee. The police staff associations would mobilise a very strong campaign both inside and outside Parliament against the legislation; and in view of the very firm commitments which I and other members of the Government have repeatedly made to the principles of the Edmund-Davies Report this would place us in serious difficulty. In the period before a General Election I do not think that any of us would want to

**CONFIDENTIAL**

The Rt. Hon. Sir Geoffrey Howe, QC. MP.

/contd ...

CONFIDENTIAL

contemplate pushing through legislation of this sort, even if room could be found for it in the programme. Indeed, even to let it be known that we were considering such a change could be damaging. The police are already smarting from the 4% increase in pension contribution which I imposed on them in September and we are getting ready for difficult negotiations on rent allowance, which they will almost certainly take to arbitration. Any suggestion that we were at the same time proposing to abandon Edmund-Davies would be very badly received by a service which is still suffering from the loss of experienced officers resulting from the pay dispute of the mid-1970s which led to the setting up of the Edmund-Davies inquiry.

Having said that, I do not suggest that we should do nothing. The Edmund-Davies updating formula has proved over-rigid in practice and has led to unduly high settlements. But I believe that it should be possible to modify the arrangements while keeping the machinery of the Police Negotiating Board and without laying ourselves open to the charge that we are abandoning Edmund-Davies. The Edmund-Davies Report itself recommended that it should be open to either side of the Board to propose changes in the method of updating police pay, in the light of changes in the police service or in pay movements in the economy as a whole. Although a review by the Official Side of the Board earlier this year did not indicate that any change was necessary, the subsequent publication of the Megaw Report on Civil Service pay could provide the basis for a new approach. The Megaw recommendations would not be applicable in their entirety to the police; but building on the Megaw approach it would be possible to propose changes in the updating arrangements, centred on producing a wider range of more up-to-date information as the basis of negotiation. This might include other recent public service pay settlements, such as those for the armed forces and the Civil Service, and information about recruitment and wastage levels in the police service during the preceding year. The Office of Manpower Economics, which already provides the Secretariat for the PNB and also services the AFPRB, would be well placed to provide an extended range of data, which could be made available to both the Official and the Staff Sides of the PNB. The final decision on police pay would continue to rest with the Secretary of State, to whom the PNB submits its recommendations.

The Official Side of the PNB will be discussing the possible implications for the police of the Megaw Report and my officials will seek to secure a move in the direction I have outlined. Bearing in mind the pensions and rent allowance points which I have mentioned, I would not expect the Official Side to move quickly in putting proposals to the Staff Side; but I am sure that it will be better to proceed on these lines, within the existing machinery, rather than to attempt at this stage to introduce a completely new system for settling police pay. My officials will of course keep in touch with yours as the situation develops.

Copies of this letter go to the Prime Minister, George Younger and Jim Prior.

*Carlin*  
CONFIDENTIAL

8 OCT 1982

10 11 12 1  
9 3

8 7 6 5

cc: Mr. Vereker  
Miss Stephens

*Blic*

NOTE FOR THE FILE

DISCUSSION WITH LORD PLOWDEN ABOUT POLICE PAY

Colin Walters in the Home Office telephoned today to apologise for not having offered advice earlier about the timing of the Prime Minister's proposed meeting with Lord Plowden.

Mr. Walters said that it would be awkward at the moment for such a meeting to take place, given that the Home Office were preparing their new proposals on the future pay regime for the police. The Home Office would much prefer that the Prime Minister defer the meeting for the time being.

I said that the idea of a meeting, which had been glancingly raised during the Prime Minister's last dinner with a number of industrialists, including Lord Plowden, had been shelved. At the time that the proposal was put forward, the Prime Minister's diary made it impossible to go ahead. Her holiday in Switzerland then intervened, and now we have diary problems again, and the trip to the Far East. Lord Plowden has not approached me, and in these circumstances I think it best not to pursue the idea.

*MS.*

8 September 1982



*ms*

*ck JV*  
*Blair*

QUEEN ANNE'S GATE LONDON SW1H 9AT

6 August 1982

Prime Minister

2

*Dear Geoffrey*

POLICE PAY

*By the time you see this, the Home Secretary will have announced a 4% increase in pension contributions, bringing the pay increase down to 5.6%.*

*Wh  
6/8*

I was grateful for Leon's help in agreeing to the fuller explanation of the Government's position on local government expenditure to put to the local authority representatives on the Official Side. As you will know, this was enough to persuade a sufficient number of the ACC representatives to go ahead with the negotiations although they remain concerned about the financial implications for individual authorities. The AMA and Scottish local authority representatives withdrew and did not take part in the negotiations.

The outcome of the negotiations was much as I expected. Agreement was reached on a 10.3% pay increase for the federated ranks, and on a 6% increase for police cadets. The superintendents were offered and rejected 7% but negotiations will continue. Negotiations on chief officers' pay were deferred.

Increases to pension contributions were discussed but the Staff Side were unable to agree to an increase of more than 1½% for men and 1% for women. This was unacceptable to the Official Side and disagreement was registered. The Official Side have written to ask me to increase the pensions contribution rates for policemen by 4%, and for policewomen by 3% with effect from 1 September 1982, to coincide with the new pay rates. The Official Side make this request on the basis of a recent evaluation of the police pension scheme by the Government Actuary's Department which put the schemes worth, on average, 38% of the pay of a new male recruit, and 33% for a woman.

I have seen representatives of the Staff Side this morning, and I have considered their representations but they provide no grounds for refusing to agree to what the local authorities have proposed.

I have therefore sought your consent, and you have agreed, to increases in pension contributions by 4% from 7% to 11% for male officers and by 3% from 5% to 8% for women from 1 September 1982. This will apply to all ranks, including superintendents and chief officers and reduce the net pay increase for the federated ranks to about 5.6%.

The Rt. Hon. Sir Geoffrey Howe, QC. MP.

/contd ...



As you have also agreed, I will make an announcement later today on the PNB's recommendation about pay, and on the size of the pension contributions. The announcement would make clear the net effect on pay of the increased pension contributions.

Copies of this letter go to the Prime Minister, Cabinet colleagues and Sir Robert Armstrong.

Yours etc  
Walter

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AUG 12 1  
1965

1965 AUG 19 1962

016 R  
CONFIDENTIAL

5 August 1982

Mr. *W*  
*8/8*  
MR RICKETT

cc Mr Mount  
Mr Ingham

POLICE PAY

The police pay and pensions issue looks set to come to a climax shortly; because I am now departing on leave, I would like to leave you with this one last thought.

Because the Police Negotiating Board is likely to find it easier to agree on the pay figure (10.3%) than on the pensions figure, there remains a danger of the settlement being presented as 10.3%, rather than a much lower figure which incorporates the increased pensions contribution. As the Prime Minister already knows, I think it is essential that the pensions contribution be sufficient to bring the total down to the 6-7% range, because of its effect on the NHS dispute; the purpose of this note is merely to repeat that it would be most undesirable for the Home Secretary to announce the pay figure before the pensions figure has been agreed.

*Jr.*

JOHN VEREKER

CONFIDENTIAL

CONFIDENTIAL

cc JV

Prime Minister 2

W  
4/8

2 MARSHAM STREET  
LONDON SW1P 3EB



My ref: H/PSO/15528/82

Your ref: 4 August 1982

Dear Willie

Thank you for sending me a copy of your letter of 2 August to Geoffrey Howe, about the police pay negotiations.

I agree that it is important to reach a negotiated settlement and that you should reassure the official side as far as possible about the implications of the 1982 pay settlement for rate support grant.

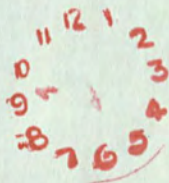
My only reservation about your draft paragraph arises in the last sentence since an assurance about taking full account of the settlement in public expenditure and RSG decisions may be construed as implying that we shall also increase targets. We have not agreed this and I would prefer the undertaking to refer more specifically to the pay settlement being fully reflected in GRES, and consequently in the distribution of rate support grant. We can then consider the implications for targets later.

I am copying this to the Prime Minister, Geoffrey Howe, George Younger, Norman Fowler and to Sir Robert Armstrong.

Yours ever  
MHE

MICHAEL HESELTINE

4 AUG 1982





Prime Minister

2 JV  
2 Police  
W  
3/8

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Willie Whitelaw MP  
Secretary of State  
Home Office  
50 Queen Anne's Gate  
London SW1H 9AT

3 August 1982

2 Willie

POLICE PAY AWARD 1982

TPM.

Thank you for your letter to Geoffrey Howe of 2 August.

It is helpful to see the form of words you propose to offer the official side. I agree that it reflects our decisions so far. I suggest that you might be rather more specific in the final sentence of the passage on 1983-84:

"The government therefore undertakes that the net cost of the 1982 police pay award will be fully reflected in the GREs for 1983-84 and consequently in the distribution of block grant".

I think that this is as far as we can go without prejudicing Michael Heseltine's consultation process. I certainly do not think we should commit ourselves to exempt any portion of police pay in calculating performance against targets.

I am sending copies of this letter to those who received yours. Since the form of words I am suggesting could affect the interests of other Ministers with local authority responsibilities, I am also sending copies to Keith Joseph, David Howell, Norman Tebbit, Peter Walker and Arthur Cockfield.

LEON BRITTAN

CONFIDENTIAL



*WMS*

*S. J. V.  
Police*

*2 229*

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213.....6400.....

Switchboard 01-213 3000

Rt Hon Norman Fowler MP  
Secretary of State  
Department of Health and  
Social Security  
Alexander Fleming House  
Elephant and Castle  
LONDON SE1

3 August 1982

*D. Norman.*

POLICE PAY

You copied to me your letter of 26 July to Willie Whitelaw. Since then Willie has reported to the Cabinet on the forthcoming police settlement which will have important implications for the NHS dispute. I agree that it would be helpful if those most closely concerned could discuss together with him how Willie will be handling this.

Copies of this letter go to the Prime Minister, to Willie Whitelaw, to all members of E(PSP), and to Sir Robert Armstrong.

*J. Norman*



QUEEN ANNE'S GATE LONDON SW1H 9AT

2 August 1982

Prime Minister 2

Dear Jeffrey

I understand the Chancellor will not be in a position to respond until tomorrow. CW 2/8

Since I reported to Cabinet on 29 July on the difficulties we have encountered on the police pay negotiations, I have seen the Chairman of the Official Side of the Police Negotiating Board. From what he told me, I am clear that without some further Government assurance about the financial implications of the settlement in 1983/84, the Official Side will refuse to begin negotiations.

I think it essential to do all we can to get a negotiated settlement. If I have to impose a pay settlement it will give the local authorities even more ammunition for attacking Michael Heseltine's recent proposals for the RSC settlement. Moreover, I am statutorily bound to consult the Police Negotiating Board about changes in pension contributions. So we would risk delaying the offsetting savings. We would also lose the opportunity to announce the pay settlement and the pension contributions increase together, and this could have repercussions on the NHS dispute.

We can, of course, give no firm undertakings about 1983/84, particularly on the local authority targets, which are at the root of the local authorities' concern. But I should like to give as full account as possible of our position in the hope that the Official Side would be persuaded to open negotiations. It may be easiest to do this in the context of our commitment to law and order and I attach a form of words which I hope are acceptable to you and Michael.

I must let the Official Side Chairman have a response by Tuesday, 3 August.

I am sending copies of this letter to the Prime Minister, Michael Heseltine, George Younger and Norman Fowler and to Sir Robert Armstrong.

Handwritten signature of Geoffrey Howe

The Rt. Hon. Sir Geoffrey Howe, QC. MP.



R.  
DRAFT PARAGRAPHS FOR LETTER TO CHAIRMAN OF OFFICIAL SIDE

1982-83

Once I have received a recommendation on pay from the Board and if I decide to implement it, the Government will pay police grant at 50% on the additional costs to police authorities. Adjustments to the total of relevant expenditure for RSG purposes and to the cash limit for block grant will be made to take account of the cash cost of the police pay settlement in excess of the amount already allowed in the RSG settlement, if representations are made by a local authority association or a local authority. In this way, the Government would meet that part of its share of the additional costs which is not met through police grant. Appropriate adjustments to the block grant distribution and to the RSG cash limit would also be made and the Government would ensure that no police authority incurs extra grant abatement because of additional expenditure due to the pay award.

1983-84

The award will attract 50% police grant. Arrangements for 1983-84 RSG settlement are not finalised. The Secretary of State for the Environment has only recently put his proposals to the local authority associations, on a consultative basis. To the extent that these are provisional, it is not possible for the Government to enter into similar assurances for 1983-84 as have been given for the current financial year. However, the Government's commitment to law and order and to the maintenance of a strong and efficient police service remains. And I can assure the Official Side that in the discussions leading to final decisions upon public expenditure and on the details of the RSG settlement full account will be taken of the level of the police pay award which, on behalf of the Government, I embody in regulations laid before Parliament.

2 AUG 1982

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CONFIDENTIAL

28 July 1982

PRIME MINISTER

Prime Minister

CABINET: POLICE PAY

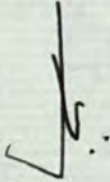
ms 28/7


From the correspondence of the last two or three days, it seems to be common ground that the police pay settlement must be handled in such a way as to avoid reducing the chances of the nurses voting to reject their 7½% pay offer. It also seems likely that Mr Fowler will wish to raise this in Cabinet tomorrow, to seek reassurance on that point.

You will have seen from my earlier note that one way forward is for the Home Secretary to insist on a 4% increase in pension contributions, and then to present the police pay settlement as being therefore worth only 6.3%, instead of the full 10.3% of the Edmund Davies formula.

But I must say that I doubt whether even that will be sufficient to avoid repeated reference in the media to a settlement of 10.3%, and therefore some adverse effect on the nurses' ballot. The really harmful aspect of the police settlement is the indexation, which is of course something that will be withheld from all NHS groups even under the longer-term pay arrangements Mr Fowler is now authorised to pursue.

I know that it would be very difficult for the Home Secretary to cut back the Edmund Davies recommendation to, for instance, the 6.1% recommended by the AFPRB for the armed forces. But perhaps he could at least see his way to indicating publicly, at the time of whatever announcement is made, that alternative methods of determining police pay will be examined in the next few months - as he has already privately agreed to do.

  
JOHN VEREKER



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Mr Fowler's  
office do  
not believe  
he intends  
to.

*Police*



Management and Personnel Office  
Whitehall London SW1A 2AZ  
Telephone 01-273 } 4400  
GTN 273 }

*cc JV*

28 July 1982

John Halliday  
Private Secretary to the Secretary  
of State for the Home Department  
50 Queen Anne's Gate  
LONDON SW1H 9AT

Prime Minister <sup>(2)</sup>

*Mus 29/7*

*Dear John,*

POLICE PAY

The Lord Privy Seal has seen a copy of the Secretary of State for Social Services' letter of 26 July. This is just to say that she supports his view that there should be a meeting with Ministers before decisions are taken. Any announcement of the sort of figures mentioned in the letter would clearly raise difficulties elsewhere.

I am copying this to Michael Scholar (No.10), and to the Private Secretaries of the other members of E(PSP) and to Richard Hatfield in Sir Robert Armstrong's office.

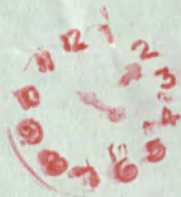
*Yours sincerely,  
Jim Buckley.*

*mb*

J BUCKLEY

CONFIDENTIAL

29 JUL 1962





Prime Minister (2)

Police

ms 28/7

cc JV

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon William Whitelaw CH MC MP  
Secretary of State  
Home Office  
50 Queen Anne's Gate  
London SW1H 9AT

28 July 1982

*W. Whitelaw*

We had a word yesterday about your letter of 17 July on the handling of negotiations on police pay, and about the state of play in discussions between our officials.

This is to record what we have agreed.

I agree that increases should be made in relevant expenditure, and in the cash limit on block grant, to reflect the additional cost of this pay award. I understand the amount of block grant involved will be about £2 million.

We spoke about local authority targets for current expenditure, and you agreed that these should not be increased on this account. I am most grateful to you, and hope that the increase in the cash limit, in particular, will avoid the political problem you pointed out to me. On the question of the targets, it is not, I think, in any way inconsistent to offer finance for spending which we favour, but at the same time to penalise aggregate overspending.

I am sending copies of this letter to the Prime Minister, George Younger and Michael Heseltine.

LEON BRITTAN.

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

The Rt Hon William Whitelaw CH MC MP  
Secretary of State for the Home Department  
Home Office  
50 Queen Anne's Gate  
LONDON  
SW1

27 July 1982

Mes 28/7

Prime Minister (2)

Another letter  
from Mr Fowler  
on police pay, seeking  
a collective discussion.

Dear Willie.

mf

You sent me a copy of your letter of 26 July to Geoffrey Howe about police pay.

You know how important this issue is to me in the context of the ballot which the Royal College of Nursing is now conducting on the recent pay offer to nurses. I am very anxious that the increase in pension contributions paid by the police should be fixed at a level which would result in their net pay increase this year not appearing excessive in relation to the offer to nurses. From my point of view, it is important that the matter should be settled on this basis and announced as quickly as possible; and the immediate purpose of this letter is to urge that a collective decision should be taken before Ministers disperse for the holidays, even if an announcement is deferred until the beginning of August.

I am sending copies of this letter to the recipients of yours.

Yours

NORMAN FOWLER

CONFIDENTIAL

Told Mr Walters  
(Home office). The contribution will be  
more than 14.2%  
CONFIDENTIAL

Prime Minister

1

I am concerned

maybe 2.5%  
Are you  
prepared to

cc: Mr. Mount  
Mr. Walters  
Mr. Ingham

PRIME MINISTER

What the other  
increases in pension  
contributions will be  
POLICE PAY  
There will cause trouble

look at this again?

If so do you wish to discuss with  
the Home Secretary and Chancellor?

MUS 26/7

Various committees of the Police Negotiating Board meet on Wednesday. As is now widely known, they are likely to recommend a pay increase, based on the Edmund Davies formula, of 10.3%; and there will be a proposal for an increase in pension contributions, but the recommendation is unlikely to be for more than 1½%. The Home Secretary will be consulting you on his handling of these recommendations: the correspondence so far indicates that he will want to agree the 10.3%, and to press for a bit more of an increase in pension contributions. Rent allowances are to be discussed separately, and later.

I know that you have not wanted to press the Home Secretary too hard on this. But because what is at stake here is so large, I must come back to you again. As you will have seen from the media coverage yesterday and today, an unqualified announcement of a 10.3% pay rise for the 135,000 police - coming on top of 13.2% last year, and 21.3% the year before - will create a storm; will make it significantly harder to settle the NHS dispute; and will be the worst possible start to the new pay round, following the Chancellor's plea for very low, or nil, settlements. However strong the case for continuing to demonstrate the Government's support for the police, there are far reaching objectives for pay and therefore employment which may be put at risk if we allow this to go through.

The effect on the NHS dispute is a new factor. When you looked at this last, we all hoped that the nurses were going to accept their offer, and that the dispute would be out of the way by now. But the police settlement now comes as the nurses are beginning to ballot again; and as NUPE and COHSE look for issues on which to build support for continued industrial action. Police pay has a much greater knock-on effect on the NHS than, for instance, top salaries: the numbers are much greater, and nurses and ambulancemen work alongside the police in the handling of casualties.

/ I think there are

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- 2 -

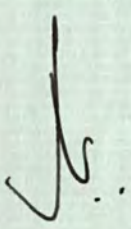
I think there are three options for handling police pay this year:

i) The Home Secretary could be authorised to cut back the basic pay increase from 10.3% to, for instance, the 6.1% recommended by the AFPRB for the Armed Forces. That would be easy to justify publicly, and would be a real message of our determination to get a grip on public service pay. It could be accompanied by suitable statements about the handling of police pay in future.

ii) The announcement of the 10.3% pay increase could be accompanied by a statement from the Home Secretary to the effect that indexation was no longer regarded by the Government as being an appropriate method of pay determination, and that alternative possibilities would be examined over the next few months. The Home Secretary has already agreed (his Private Secretary's letter of 5 July) to examine the possibility of moving towards some form of pay review in future; the least we can do is to make such an announcement now, to indicate how reluctant the Government is to acquiesce in a double-figure settlement.

iii) If the 10.3% is to go ahead, it becomes all the more important for the Home Secretary to insist upon the full 4% increase in pension contributions, and to make every effort to present the settlement as being therefore worth only 6.3%.

Ferdy Mount, Alan Walters and Bernard Ingham all share my concern about the handling of police pay this year; and Bernard is already under considerable pressure as a result of the recent press speculation.

  
John Vereker  
26 July 1982

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

c/c JV

Prime Minister (2)

You expressed

concern about this,  
on the basis of a 10.3%  
pay increase and only 1.5%  
pension contribution increase.

26 July 1982  
Mr Whitelaw is writing  
to the Chancellor

*mt*

and will say that 1.5% is not  
enough. We will reserve our position  
in the negotiation and go for 2-3%.\*

The Rt Hon William Whitelaw CH MC MP  
Secretary of State for the Home Department  
Home Office  
50 Queen Anne's Gate  
LONDON  
SW1

*Jan Willie*

**POLICE PAY**

We had a brief word this morning about the next pay award to the police force and its impact on the pay dispute in the National Health Service. A straight increase of more than 10 per cent will reduce considerably, and may eliminate altogether, the chances of a majority of members of the Royal College of Nursing voting to accept the improved pay offer of 7½ per cent. Yet securing a favourable outcome in that ballot is a critical factor in our handling of the dispute.

MCS 27/7

The answer may lie in the adjustments proposed on pension contributions and rent allowances first raised in your letter of 8 April to Geoffrey Howe. His reply proposed that these issues should be discussed with colleagues. I believe it essential to have that meeting before any decision is taken.

I am copying this letter to the Prime Minister, to all Members of E(PSP) and to Sir Robert Armstrong.

*Jan* *Norman Fowler*

NORMAN FOWLER

\* Mr Whitelaw's  
letter now  
attached.

MCS

CONFIDENTIAL

g/c SV



QUEEN ANNE'S GATE LONDON SW1H 9AT

Dear Jeffrey

2 July 1972

POLICE PAY

As you know, the Police Negotiating Board meets on Wednesday, 28th July. The outcome is likely to be mixed; the federated ranks will be offered and will accept a pay increase of 10.3%, based on the Edmund Davies formula while the superintendents will probably be offered a lower increase, which they will refuse and decide to go to arbitration. On pensions, it seems unlikely that the Staff Side will be prepared to agree to more than a one and a half per cent increase in contributions. This is not enough, and I shall therefore be faced with imposing a higher contribution rate to bring the net increase in police pay back to a more acceptable level as you and I have agreed. I do not want to take a final decision on this until I know the outcome of the negotiations when I shall write to you again. I shall probably have to allow the Staff Side to make further representations to me, but I aim to reach and announce a conclusion on all this very early in August.

Meanwhile, in view of the press speculation over the weekend there seems to me to be no reason why the Police Negotiating Board should not put out a low key announcement on Wednesday, 28th July about any agreements on pay which have been made and saying that they have been referred to me for a decision on whether to implement them. The press notice could also refer to discussions on increased pension contributions. My press office will then respond by saying that we shall be considering the agreements and will give briefing to make it clear that a one and a half per cent increase in pension contributions would be too low and a higher increase can be expected, which would reduce the net increase in police pay.

I am sending copies of this letter to the Prime Minister, George Younger, Jim Prior, Norman Fowler, and to Sir Robert Armstrong.

Good  
Letter

The Rt. Hon. Geoffrey Howe, Q.C., M.P.

CONFIDENTIAL

27 JUL 1982





✓  
✓ SK SL

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

NBPM  
ms 21/7

CONFIDENTIAL

Terry Matthews Esq  
The Private Secretary to the Chief Secretary  
Treasury Chambers  
Parliament Street  
LONDON

20 July 1982

Dear Terry,

POLICE PAY

TPM

At my Secretary of State's request, I am writing to convey his support for the letter of 17 July from the Home Secretary. Experience of the Police pay negotiations last year showed that the local authorities on both sides of the border are very sensitive to this and attach great importance to receiving, before the negotiations, the kind of assurance about funding dealt with in Mr Whitelaw's letter. Mr Younger does not consider that it would be consistent with the Government's firm support for the Edmund-Davies principle, or for the Police service itself, if they were to participate in, and subsequently authorise, a pay settlement for the Police, without accepting the financial implications as was done last year. He is certain that, if Ministers are not able to give the assurances that will be sought, substantial damage will be done to relations with local authorities, and the Opposition (as was shown by their pressure on him in a recent law and order debate in the Scottish Grand Committee) will be very quick to make political capital out of the refusal.

I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Secretary of State for the Environment and the Prime Minister.

Yours sincerely,  
John Wilson

JOHN S WILSON  
Private Secretary

21 JUL 1982



CONFIDENTIAL

Prime Minister <sup>(2)</sup> / J V

ms 19/3

QUEEN ANNE'S GATE LONDON SW1H 9AT



14 July 1982

Dear Leon

POLICE PAY

I am sorry to have to trouble you at this stage on one aspect of our handling of the police pay negotiations.

When I wrote to Geoffrey Howe on 8th April, one of the issues I raised with him was the possible need to give assurance to the local authority representatives on the Official Side, as we did last year, about paying the Government's share of the additional cost (over and above the 4% allowed for in the R.S.G. settlement for 1982-83) not only through police grant but also through block grant, by making any necessary adjustments to the total of relevant expenditure for Rate Support Grant and consequently to the cash limit for block grant. I said that we could also expect the local authority associations to seek indemnification against any penalties for over-spending attributable to extra costs for police pay. My purpose in raising these issues at that stage was to avoid the need for the hurried decisions we had to make last year when the local authorities faced us with them on the day before the negotiations were due to open.

In his reply of 16th April, Geoffrey noted that we would need to think about the implications for local authority expenditure and in his letter of 12th May Michael Heseltine agreed that, if a pay settlement on Edmund-Davies' lines was allowed, we should increase the relevant expenditure for R.S.G. and seek to ensure that no police authority incurred extra grant abatement because of additional expenditure due to the pay award.

As you know, Geoffrey and I discussed police pay on 10th June and we agreed that we should allow a settlement on the Edmund-Davies basis this year but we should look for off-setting savings by increasing pension contributions. I am looking for a sizeable increase in pension contributions but even so, it will not bridge the gap between a settlement at 10.3% (based on the provisional May average earnings index) and the 4% financial provision.

Geoffrey did not raise the issue of the rate support grant implications on 10th June and I assumed he agreed with what I had proposed. However, I asked my officials to confirm this with the Treasury, so that we should avoid last minute difficulties. They have just been told that there can be no assurance that Treasury Ministers will agree to adjustments and, so far as targets are concerned, the local authorities must expect to find off-setting savings. The only way the police authorities themselves could find the money would be to allow the strength of the police service to drop by natural wastage. This could be contrary to our policies on law and order, a point that the local authorities could not, on past form, be slow to take, and, even so, the savings could be insufficient in the current year.

/As my officials

The Rt. Hon. Leon Brittan, Q.C., M.P.

CONFIDENTIAL

~~CONFIDENTIAL~~

As my officials will be meeting the local authority representatives on 27th July and the negotiations take place the following day, I should be grateful for your agreement that, if the point is raised, my officials can give the local government representatives assurances as I proposed on 8th April, so that the negotiations can proceed on the lines Geoffrey and I have agreed. I shall, of course, be consulting Geoffrey Howe about the overall shape of the settlement when I know the outcome of the negotiations on 28th July. As you know, agreements of the Police Negotiating Board take the form of recommendations to the Secretary of State.

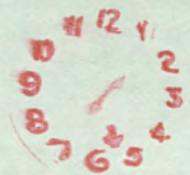
I am copying this letter to George Younger, Michael Heseltine and to No. 10.

*Yours  
Walter*

~~CONFIDENTIAL~~



1 JUL 1962



CONFIDENTIAL

BF 1/9

cf 3v

*Caroline*



Prime Minister

(2)

In line with your conversation with

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

Lord Plowden, who

9 July 1982

said he would like to come and talk about

Michael Scholar, Esq.,  
10, Downing Street

police pay.

Dear Michael,  
POLICE PAY

*Please answer me.*

MCS 12/7

The Chancellor has seen your letter of 29 June to John Halliday, and his reply of 5 July.

The Chancellor feels that the most important objective in this year's policy pay settlement should be to ensure that the figure produced by the Edmund-Davies up-dating formula is offset by a substantial increase in the pension contributions, as the Home Secretary proposes. Whether it would be right also to announce at the same time a decision to modify the existing arrangements, (perhaps by inclusion of the police within the remit of the Armed Forces Pay Review Body), as the Prime Minister has suggested, is a difficult matter of judgement. On the one hand, the sooner that move can be announced and achieved the better. On the other, there is the risk of jeopardising the whole settlement - certainly it would make it more difficult to achieve. Moreover, the Chancellor accepts the Home Secretary's argument that it is important to get the long-term arrangements for police pay right. This is more important than achieving a quick announcement.

If, on balance, it is decided not to make an announcement of the impending change this year, the Chancellor hopes that the move to a new system for the following year would be pursued very hard despite the difficulties mentioned in John Halliday's letter. There is general agreement that continued indexation of police pay would be extremely damaging both in terms of the Government's general stance on pay, and of the repercussive effects on other public service negotiations. Indexation has in practice meant very high settlements for the police right at the start of both this pay round and the previous one, and an increase in the region of 10 per cent in September this year - even though offset by the increase in the pension contribution - will be very awkward. It is worth

/noting

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CONFIDENTIAL



noting that the police have in fact done very much better than other groups in the local government sector since 1979. Although the cumulative increase in police earnings in the last three pay rounds - around 50 per cent - is not greatly different, the police had their big catching-up award of 40 per cent through Edmund-Davies rather than Clegg - as soon as the Government came to office, and before the 1979-80 pay round started. This means their real increase has been around 90 per cent.

I am copying this letter to John Halliday (Home Office), Nick Evans (Ministry of Defence), Barnaby Shaw (Department of Employment), and David Wright (Cabinet Office).

*Yours ever,  
Peter*

P.S. JENKINS



**CONFIDENTIAL**

Prime Minister ① PA Mus 8/7

MR. SCHOLAR

Police Pay

Do you wish me to write  
cc Mr. Mount

on these lines (toned down),  
in reply to the Home Secretary's  
office's letter

Police Pay

The arguments in the letter of 5 July from the Home Secretary's Private Secretary are not entirely unexpected. (attached)? But they do provide us with a possible way forward.

If the Prime Minister agrees, I think you should reply to say that she is very concerned indeed at the prospect of a 10% settlement being announced for a large public service group at the beginning of the next pay round, Ministers having already agreed in E on 1 July on the need for a major pay restraint effort; and that she could only contemplate agreeing to it provided that its impact were softened by both of these two conditions: first, there would have to be a substantial offset through the increased pension contributions being sought by the Home Secretary; and second, there would have to be a simultaneous announcement that, in the light of the way in which the Edmund Davies formula was operating, the Government had decided that there would in future be a revised system for settling police pay, in a way which would of course recognise that public employees who risk their lives in our service ought to have different working conditions and pay arrangements from the others. You could go on to make the point that it is always better, before announcing the end of one arrangement, to have something concrete in mind for the new one; and that the group of officials referred to by the Home Secretary should therefore endeavour to come up with recommendations before the announcement of this year's award.

MCS 5/7  
No - word  
have  
word  
with  
w.w.

I think this  
is a bit  
abrupt.  
MCS  
Yes to  
do it.

J.

5 July 1982

**CONFIDENTIAL**

✓ JV

CONFIDENTIAL



HOME OFFICE  
QUEEN ANNE'S GATE LONDON SW1H 9AT

5 July 1982

Dear Michael,

POLICE PAY

In your letter of 29 June you said that the Prime Minister had asked whether the announcement about this year's police pay settlement might be coupled with an announcement that the existing arrangements for updating police pay were to be modified - perhaps by including the police within the remit of the Armed Forces Pay Review Body (AFRB).

The Home Secretary and the Chancellor of the Exchequer discussed this possibility earlier in the month and concluded that the present system of settling police pay should be retained for this year's settlement, although there should be increased pension contributions and, subsequently, changes in the system for calculating rent allowances, to reduce the overall cost of the settlement. It now looks as though the Edmund-Davies updating formula will produce a settlement in the region of 10%, but the Home Secretary will be looking for a substantial increase in pension contributions to offset this. He has in mind that the Armed Forces' pension contributions are assessed at 11%, whereas the police contributions are currently 7%.

The Home Secretary has agreed to the Chancellor's suggestion that he should examine the possibility of moving towards some form of pay review in future. The Home Secretary does not believe that it would be practicable to make such a move in this year's pay negotiations. The Official Side of the Police Negotiating Board (ie principally the local authority associations) have just completed a review of the way in which the existing arrangements have operated during the past three years and decided not to put forward proposals for changing them. The police representatives on the Staff Side are likely to oppose strongly the proposed increases in pension contributions but the Home Secretary is determined that significant savings should be secured, and believes it is right to concentrate on this in this year's settlement.

One of the factors which the Home Secretary has had in mind is the need for any revised system for settling police pay to take account of the views and interests of the police authorities who are responsible for providing and maintaining police forces. All the existing review bodies, including the AFRB, deal with groups whose pay is decided by central Government, and they report to the Prime Minister. The local associations believe,

CONFIDENTIAL

rightly, that they have an important part to play in negotiating police pay and conditions of service and they would strongly oppose any suggestion that the functions of the Police Negotiating Board should be handed over to some outside body. Also, change of this kind would of course require legislation, repealing the Police Negotiating Board Act 1980.

The Home Secretary does not believe that it will be easy to find a suitable alternative to the existing arrangements for settling police pay. The possibilities will need careful consideration, and to that end he has asked officials to explore them with the other Departments concerned, including the Ministry of Defence. He will be discussing the outcome with the Chancellor of the Exchequer in due course.

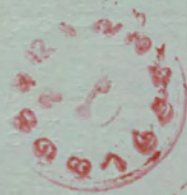
I am sending a copy of this letter to Peter Jenkins (Treasury), Nick Evans (MOD), Barnaby Shaw (DE) and David Wright (Cabinet Office).

*Yours ever,*

*John Halliday*

J F HALLIDAY

76 JUL 1982



0151



MR. SCHOLAR

*We shall have to be content with higher pension -*

To note.

Do you wish to take this further  
cc: Mr. Mount

POLICE PAY

As you know, it was left to the Chancellor and the Home Secretary to discuss the application of the Edmund Davies formula this year, and longer term arrangements for determining police pay. The Treasury has shown me on a personal basis their record of the discussion, which was not copied to the Prime Minister. I think you should ask for it: it shows that the Chancellor agreed - to my considerable surprise - to the application yet again of the Edmund Davies formula this year, in return for a rather unspecific agreement on the Home Secretary's part to look at longer term arrangements.

*now - eg my probing the prospect but it is at X only promised expressing disquiet?*

MCS 21/6

The Prime Minister really ought to be aware of this. The effect of applying the Edmund Davies formula this year will be an announcement, probably in September, i.e. at the very beginning of the new pay round, of a 10% pay rise for 135,000 police. This will be the third year running that the pay round has got off to an appalling start as a result of the Government's totally unnecessary commitment to police indexation. The police had 21.3% on 1 September 1980, and 13.2% on 1 September 1981. If we are serious about achieving a level of pay settlements in the public services in the next round that will contribute both directly and by example to a recovery in employment, we simply cannot allow the pace to be set with a 10% settlement.

X

The Home Secretary will argue that it is impossible for him to do more this year than extract higher pension and rent contributions (which should have been increased long ago anyway). At the very least, the price of a 10% settlement this year must be a decision to end indexation and replace it by including the police within the remit of the AFPRB.

*Could we float this for next year?*

21 June 1982

CONFIDENTIAL

Police



R J Vander

10 DOWNING STREET

From the Private Secretary

29 June 1982

Police Pay

The Prime Minister has been enquiring about police pay. She has asked whether, on the assumption that the application of the Edmund Davies formula this year will lead to a relatively high increase in the autumn, it may be possible to couple with that announcement the announcement of a decision to modify the existing arrangements - perhaps by inclusion of the police within the remit of the Armed Forces Pay Review Body. The Prime Minister would be grateful for her colleagues' reaction to a change on these lines.

I am sending a copy of this letter to Peter Jenkins (HM Treasury), Nick Evans (Ministry of Defence), Barnaby Shaw (Department of Employment) and David Wright (Cabinet Office).

M. C. SCHOLAR

J.F. Halliday, Esq.,  
Home Office.

CONFIDENTIAL

CONFIDENTIAL

MR. MOUNT

Police  
c. Mr. Walters  
Mr. Scholan ✓  
(Personal)

POLICE AND FIRE SERVICE INDEXATION

In the course of this afternoon's meeting of the Civil Contingency Unit (CCU), the Home Secretary - perhaps unwittingly - revealed that he had heard that the local authority employers had decided to end the fire service pay indexation arrangements. That arrangement is comparable to the police, but worse, because it links the firemen to the upper quartile of average earnings in the previous year. The employers may have had to move in this direction because of their financial constraints.

I discussed this briefly with the Home Secretary after the meeting. He said that he was convinced that this development would lead to a strike of firemen in the autumn, and that he was very concerned about the development because it was not at all clear what new arrangement for determining fire service pay might be put in its place.

I took the opportunity of some mild lobbying against the indexation of the uniformed services, stressing the damaging nature of having public service groups linked to the previous year's index and announcing their settlements at the beginning of the pay round, and mentioned the possibility of using a review body instead. The Home Secretary reacted vigorously to the mention of the police, indicating that he did not intend to try and go further than to achieve an increase in police pension contributions, and a reduction in the rent allowance (these would indeed be significant steps).

J.M.M. VEREKER

26 May 1982

CONFIDENTIAL

MR SCHOLAR

CONFIDENTIAL

Prime Minister <sup>Police</sup>

PA  
TOW JV →

It would be best  
note to write

Do you wish me to  
write as at X overleaf?

Police Pay

The Home Sec is well and all  
of the point - Mrs 13/5

(attached)

I have participated in the official discussions about police pay referred to in the letter from the Chancellor's Private Secretary to Mr. Whitelaw's Private Secretary, dated 12 May; and I am very glad that Mr. Whitelaw's officials have indicated that he does not now intend to tell the Police Federation on 19 May that the Edmund Davis indexation formula will necessarily continue. In fact, I understand that at present he intends to talk in general terms about the Government's support for the police, and then to say: "we demonstrated <sup>that</sup> as soon as we came in, by our decision to implement in full the Edmund Davis recommendations on pay, which have resulted in a better paid police service than ever before." I think that goes quite far enough.

The Prime Minister will recall that the immediate focus of interest for police pay is the report of the Official Side of the Police Negotiating Board, which was set up in October 1981 to review police pay. Study so far of that report reveals that the Official Side looked at the Edmund Davis formula only from the point of view of whether it had generated pay rises which were excessive compared with the average earnings increases in the economy as a whole. Even on that narrow point, the Treasury dispute the Official Side's figures, and reckon the cumulative total of police settlements in the last three years is well above the average earnings increase. Objections to the Edmund Davis formula are of course more fundamental. The level of police pay is now quite disproportionate: a uniformed constable in central London earns on average £13,000, including housing and other allowances. And the Edmund Davis method is exactly the sort of inflationary indexation from which we try to extricate ourselves across-the-board, and its retention makes it harder to deal with other groups such as firemen (who already have it) and MPs (who want it). Of course, we would have to find something to replace the Edmund Davis indexation formula, and there are some preliminary ideas around: even including them in the AFPRB would be better than indexation.

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/I think

CONFIDENTIAL

-2-

I think it would be helpful therefore, both in terms of ensuring that the Home Secretary goes no further than his present intentions on 19 May, and in giving impetus to the discussions which are to take place between the Home Secretary and the Chancellor later, for you to write - if the Prime Minister agrees - to Mr. Whitelaw's Private Secretary indicating that she is glad to see that he will be making no commitment to the continuation of the Edmund Davis formula; and that she looks forward to hearing the outcome of the forthcoming discussion between the Home Secretary and the Chancellor on the future method of police pay determination.

13 May 1982

CONFIDENTIAL



SC JV

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

12 May 1982

PS/Home Secretary  
Home Office  
50 Queen Anne's Gate  
LONDON  
SW1H 9BW

*Dear John,*

POLICE PAY

*16 April - 8 April*

There was an exchange of correspondence between the Home Secretary and the Chancellor last month on the subject of police pay. Since then officials have been considering the issues raised by the review of the method of increasing police pay which has been undertaken by the Official Side of the Police Negotiating Board. The aim has been to clear the ground for discussion between the Home Secretary and the Chancellor before the matter is taken further at Ministerial level.

Officials had been working on the assumption that the Home Secretary might wish for an early discussion, so that he was in a position to give an indication of the Government's views when he addressed the annual conference of the Police Federation on 19 May. We now understand, however, that this is not his intention, and that he will refer only to the Government's record on police pay, without implying that the Edmund-Davies indexation formula will necessarily continue. Our Departments are in touch about the terms of this reference.

This means that there is now more time in which to arrange a discussion, which is helpful because the Chancellor would not in any case have been available this week. I am aware that the Home Secretary and the Chief Secretary are meeting on 19 May, but that is to discuss (inter alia) the separate (though related) question of cash limiting the police grant. I suggest that we now arrange a meeting between the Home Secretary and the Chancellor within the next couple of weeks, on the basis of the correspondence to which I have referred. Perhaps we could be in touch to arrange a time.

I am copying this letter to Mike Pattison (No. 10) and to David Wright (Cabinet Office).

*Yours ever  
Peter*

P S JENKINS

3 MAY 1962



**CONFIDENTIAL**Prime Minister (2) *JSU*Ms 12/52 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/12857/82

Your ref:

12 MAY 82

*De l'Her**MS*

I have seen a copy of your letter to Geoffrey Howe of 8 April about police pay, and of his reply of 16 April. My interest is in the effect of your proposals on other groups of employees for which I am responsible, and in their RSG consequences. I agree with Geoffrey that it would be best to consider your proposals collectively before a decision in principle is announced.

On pay policy, I of course recognise the commitments which have been given on police pay; and I welcome your proposals on rent allowances and on pensions. But I remain very concerned about the effect of a high police pay award on other groups. It is surely the case that the police have done significantly better than other groups in the local government sector. I think it is going to become increasingly hard to justify continuing favourable treatment for the police whilst seeking to stick to our guns for other local government employees, and for the public sector generally. It seems to me that continuing to pay the full Edmund-Davies formula for 1982/83 can only make it more difficult to achieve pay restraint in the public sector as a whole.

On RSG, I agree that if a pay settlement on Edmund-Davies lines is allowed, we should do as we did for 1981/82, ie increase relevant expenditure for RSG purposes, with consequent additions to the police specific grant and to the block grant cash limit. I also agree that we should seek to ensure that no police authority incurs extra grant abatement because of additional expenditure due to the pay award.

I am copying this to those who received Geoffrey Howe's letter.

*you are  
Michael*

MICHAEL HESELTINE



To note.

CONFIDENTIAL

Ms 22/4

HOME OFFICE

QUEEN ANNE'S GATE LONDON SW1H 9AT

21 April 1982

*Dee Mike**M*POLICE PAY

In your letter of 13 April to John Halliday, you asked for a copy of the report prepared by a working party set up by the Official Side of the Police Negotiating Board in October 1981 to review police pay. This is enclosed with a note summarising the main conclusions. The working party's recommendations were endorsed by the full Official Side at a meeting on 5 April. The statistical information, which provided the basis for the working party's conclusion that there was no case for proposing any change in the existing method of updating police pay, was prepared by Office of Manpower Economics and has been made available to both sides of the Board.

The report has little to say about police pensions, because the Official Side had already initiated a review of police pension contributions, with the aim of bringing them more into line with the rest of the public sector. Although, as the Home Secretary explained in his letter of 8 April, the Official Side will not be presenting their proposals to the Staff Side as a package, they have every intention of securing a substantial increase in the level of police pension contributions. The arrangements for fixing pension contributions are not the same as those for settling pay. Under the Police Negotiating Board Act 1980, the Secretary of State is obliged to consult the Board about pension matters but they are not arbitrable and the final decision rests entirely with Ministers.

As to the points made in the Chancellor of the Exchequer's letter of 16 April, we accept that the figures quoted by the Home Secretary actually relate to the period between November 1979 and October 1981 (rather than to the period between May 1979 and September 1981) and so exclude the 13.5% September 1979 pay settlement for the police. However, they do include the police pay settlement for the current round (13.2%), while increases in average earnings arising from the current pay round are not similarly reflected, since most settlements take effect after the end of October. The increase in basic police pay over the period has been considerably higher than increases in police earnings. This has been due to the substantial decrease in overtime, as police forces have reached their authorised establishments.

F. R.

In his letter of 19 April, Michael Scholar told us that the Prime Minister wishes to discuss police pay at the meeting she is chairing on 27 April. The Home Secretary will, of course, be able to expand on these points then.

Copies of this letter go to the recipients of copies of yours and to Stephen Boys-Smith (Northern Ireland Office).

Love ever -

Colin Walker

## POLICE NEGOTIATING BOARD OFFICIAL SIDE

Report of Working Party on Police Pay

The attached report by the Working Party set up by the Official Side of the Police Negotiating Board in October 1981 to review police pay was endorsed by the full Official Side on 5 April.

2. The report's conclusions are summarised on page 2. These are that -
  - a. there is no case for changing the method recommended by Edmund-Davies for updating police pay;
  - b. the use of the May figure of changes in the index of average earnings during the previous twelve months as the basis for the annual settlement has proved no more expensive than other months, or combinations of months, would have done;
  - c. the earnings of superintendents have risen faster than those of the federated ranks. At the same time, the pay differential between assistant chief constables and chief superintendents has been compressed. The Official Side should therefore seek this year to negotiate a lower pay settlement for superintendents than would be indicated by the average earnings index;
  - d. changes should be sought in the existing system of calculating rent allowance;
  - e. police pensions contributions should be increased, to bring them into line with the contributions paid by other public servants.
  
3. An explanation of the Working Party's reasons for concluding that there was no case for changing the existing basis for updating police pay is given on pages 5-7. The statistical information prepared by the Office of Manpower Economics, which provided the basis for the Working Party's conclusions, is set out

in Appendix B.

4. The case for offering the superintendents a lower pay settlement this year is discussed in pages 8-9, rent allowance on pages 10-14, and pensions (very briefly) on page 15.

POLICE NEGOTIATING BOARD

OFFICIAL SIDE

REPORT OF 1981/82 WORKING PARTY

41 Belgrave Square  
LONDON SW1

MARCH 1982

POLICE NEGOTIATING BOARD

OFFICIAL SIDE

Report of the Working Party on Police Pay

INTRODUCTION

1.1 The working party was set up by the Official Side at their meeting of 27th October 1981, with a view to (a) providing the Official Side of a joint working party of Committees A, B and C to be chaired by Lord Plowden and (b) examining certain issues not covered by the proposed joint working party. In the event the Police Federations unexpectedly declined to participate in the proposed joint working party leaving the Official Side working party to conduct its own examination.

1.2 In the light of this, the working party adopted the following terms of reference :

(1) To examine the following issues and report back with recommendations to the Official Side of the Police Negotiating Board and the appropriate Standing Committees:

- (a) the level of police pay;
  - (b) the method of linking police pay to the earnings index;
  - (c) pay structure;
- and (d) rent allowance and other allowances

(2) To provide machinery for the general co-ordination from an Official Side point of view of the above issues together with the question of the police pension contribution.

1.3 The main conclusions and recommendations of the working party are set out in the next section of the report.

1.4 A list of members and advisers to the working party is attached as Appendix A.

SUMMARY OF MAIN CONCLUSIONS AND RECOMMENDATIONS

2.1 No convincing case can be made out that since Edmund-Davies police earnings - whether on a weekly basis or an hourly basis - have increased faster than in the economy at large, as measured by the Government's earnings statistics.

2.2 The working party recommend against any attempt to reduce the base established by Edmund-Davies on the grounds of the increased value of job security. Such an argument would be immediately countered by Staff Side claims that since Edmund-Davies the police job has become more difficult, and in the working party's judgment the two arguments would cancel each other out.

2.3 The Edmund-Davies indexation principle has been applied by taking the increase in the Government's earnings index over the previous twelve months ending in May. This has in fact turned out less expensive than using other months, or combinations of months. Nevertheless the Official Side should warn the Staff Side that they reserve the right to take into account in any one year obvious temporary distortions to the Government's monthly earnings index.

2.4 The salary structure introduced by Edmund-Davies has been seriously distorted by the inherent contradiction between indexing the salaries of ranks up to chief superintendent while those above that level are negotiated by reference to salary movements for other top public servants. Moreover, the earnings of superintending ranks have risen faster since Edmund-Davies than those of the federated ranks; at the same time chief inspectors' overtime, which was one of Edmund-Davies' major considerations in setting the level of superintendents' salary, has reduced. For all these reasons the working party recommend that the Official Side of Committee B should seek to negotiate lower increases for the superintending ranks this year than those implied by the earnings index, and that the Staff Side should be warned of this intention without delay.

2.5 The existing system of rent allowance leans too far in favour of the owner-occupier and substantial savings in the current annual expenditure of £170 million p.a. should be sought by adopting a system based on average council house rents, plus rates; compensatory grant should continue, and the new allowance like the present one should not be pensionable.

2.6 The working party wholeheartedly support the attempts of the Official Side of Committee E to bring the police pension contribution into line with that of other public servants, taking into account the relative value of different schemes. It is very important that this exercise should produce a result by 1st September 1982.

CURRENT POLICE EARNINGS

3.1 Police earnings are largely made up of three separate components :

- Salaries
- Rent allowance/free housing
- Overtime (payable only up to chief inspector level)

3.2 The main points of the current salary structure are set out below :

Constable	on appointment	£ 5,610	
	after five years	£ 7,326	
	after fifteen years	£ 8,883	
Sergeant	after four years	£ 9,744	
Inspector	after four years	£11,064	
Chief Inspector	after four years	£12,309	
Superintendent	after three years	£16,440	
Chief Superintendent	after three years	£18,003	
Asst. Chief Constable		£19,101	
Dept. Chief Constable	from	£19,602)	according
	to	£22,794)	to popu-
Chief Constable	from	£23,046)	lation of
	to	£28,203)	force area

In addition all ranks in London receive London weighting of £657 and London allowance of £1011. All ranks in the Royal Ulster Constabulary receive an allowance of £777.

3.3 According to OME's survey in October 1981, rent allowances for the federated ranks average £1161 a year. This sum is effectively tax-free, i.e. for a standard rate tax payer would eventually be worth £1659 a year in taxable income.

3.4 Overtime for uniformed constables averages just over 2 hours a week outside London, 4.7 hours in London and 13.5 hours in the Royal Ulster Constabulary.

3.5 According to OME's survey in October 1981, average earnings for those receiving rent allowance were, excluding compensatory grant, as follows :



	<u>England &amp; Wales outside London</u>	<u>Scotland</u>	<u>London</u>	<u>R.U.C.</u>
<u>Uniformed Constables</u>				
weekly	£ 176.43	£181.59	£236.32	£258.15
annually	£ 9204	£9473	£12,328	£13,467
<u>All federated ranks</u>				
weekly	£ 195.54	£196.32	£255.5	£280.07
annually	£ 10,201	£10,241	£13,329	£14,610

Obviously these figures are only averages and many officers will be earning considerably more and others considerably less. For instance, for all federated ranks in England and Wales outside London it is estimated that the distribution of earnings would be :

	<u>approx. earnings* p.a.</u>
10% of officers earn more than	£13,150
25% of officers earn more than	£11,550
25% of officers earn less than	£ 8,550
10% of officers earn less than	£ 7,550

\* excluding compensatory grant

## REVIEWING THE LEVEL OF POLICE PAY

4.1 An examination of police pay levels (i.e. salary levels) was first proposed by the Official Sides of Committees B and C who, in July of last year, made statements to their respective Staff Sides which included the following :

"The Official Side are sure that Lord Edmund-Davies' Committee of Inquiry in 1978 were right to conclude that, because the police are the only group of civilians without the right to strike and because of their vital position in the community, police pay should be linked, through the Government's earnings index, to the pay of the community as a whole.

"Against that general background, the negotiators have the duty of ensuring that the link with outside pay takes changing circumstances into account.....

"The Official Side accept that, given the exceptional circumstances of the police, there will be a continuing need to link police pay to the national earnings index. With that principle clearly in mind, they propose in the coming months to examine whether there is a case for any changes to the level at which the link is made...."

4.2 On the basis of these statements the working party gave consideration to two separate questions :

(a) Have police salaries and earnings moved at different rates from those in the economy at large since the implementation of the Edmund-Davies' award?

(b) Have circumstances since Edmund-Davies changed sufficiently to justify a change in the real level of police pay established in 1978?

4.3 With reference to the first question the working party studied detailed information relating to changes in total and hourly earnings and salaries of police officers and of other workers (male and female, manual and non-manual, private and public sector).<sup>\*</sup> Data had been obtained from a number of sources, making direct comparisons difficult in some instances. However, after careful examination it was concluded that there was no convincing evidence to suggest that the police had since Edmund-Davies significantly improved their position relative to the rest of the economy taken as a whole.

4.4 In relation to changing circumstances since Edmund-Davies, the working party consider that the notional value of the police officer's job security is higher now than three or four years ago. However, as a counterbalance, it can be argued that the policeman's job has, if anything, become more difficult. Moreover, any attempt to reduce the police pay base on grounds of such changes could evoke a highly emotive reaction among both police and public.

\* This information is summarised in Appendix B

4.5 In 1979 the Official Side accepted the level of pay recommended by Edmund-Davies and are publicly committed to continuing the principle of indexation. On this basis the working party have concluded that there are presently insufficient grounds to sustain any attempt to reduce the current salary base and they recommend accordingly.

## REVIEWING THE METHOD OF INDEXATION

5.1 An examination of the method of indexation was proposed by the Official Sides of Committees B and C, who wished to establish whether there was a case for making changes. The procedure adopted up to now in determining police salary increases post Edmund-Davies has been to apply the percentage increase in the Government's index for May over the figure for the previous May. Given the Official Side's public commitment to continuation of principle of indexation the working party has limited its examination to :

- (a) Whether the link should be between police earnings and national earnings.
- (b) Whether the link should be based on, the average of three months' annual earnings increases rather than one month as at present.
- (c) How, and whether, to take account of the effects of increasing or decreasing amounts of overtime on the national index.

5.2 After careful consideration of the available data the working party has concluded :

- (a) Total police earnings have, over recent years, increased more slowly than police salaries. Thus, while the practice of comparing police salaries with outside earnings remains objectionable in principle a comparison of earnings would at the present time lead to even higher increases.
- (b) There is no evidence to suggest that the present procedure for assessing the annual increases has in practice led to avoidable distortions.
- (c) Hours worked in the economy as a whole have decreased while hourly earnings have increased. Thus, whilst it is possible, in rough terms, to adjust the earnings index to reflect changes in working hours, this would not be of benefit to the Official Side.

Figures in support of the assertions in (b) and (c) above are shown in Appendix C and Appendix B respectively.

5.3 It is, therefore, recommended that no proposals for changing the method of indexation be put forward at the present time. However, the appropriate Staff Sides should be made aware that the issue will be kept under review and that the Official Side reserve the right to make adjustments to published figures which demonstrably contain temporary distortions.

REVIEWING PAY STRUCTURE

- 6.1 Edmund-Davies recommended that the salaries of all ranks up to and including chief superintendent should be linked to the earnings index, but that salaries above chief superintendent should be determined by reference to two (in practice, conflicting) factors: namely the increases received by the lower ranks and the increases received by senior management outside the service. Since Edmund-Davies was fully implemented this has led to different percentage increases at different levels in the service. (For example, overall increases for federated and superintending ranks have been 56%; those for the most highly paid chief constables have been 37.5%).
- 6.2 The resultant compression at the top of the salary structure and in particular the narrowing of the already small differential between chief superintendents and assistant chief constables has been a matter of increasing concern to the Official Sides of Committees A and B. They therefore made clear to the Staff Sides during the 1981 negotiations that the situation necessitated a review of pay structure which was subsequently undertaken by the working party.
- 6.3 The working party have assumed continuation of the existing rank structure and of the pay base established by Edmund Davies (paragraph 4.4 of this report refers). They therefore limited their examination to the following issues :
- (a) The validity of the Edmund-Davies recommendation that each year all ranks up to and including chief superintendent should receive the same percentage salary increase.
  - (b) Given that the above recommendation had given rise to distortions in the overall police salary structure, the desirability/feasibility of implementing an alternative approach.
- 6.4 The working party studied available figures showing movements in earnings at different pay levels of the economy. It was apparent that earnings increases in the economy as a whole varied quite widely according to the position in the league table, implying that across the board indexation of the police service up to and including chief superintendent will not always be appropriate. It was noted, however, that between 1979 and 1981 the earnings of the higher paid increased faster in percentage terms than the lower paid.
- 6.5 While accepting that there was no evidence to suggest that superintending ranks had benefitted from pay increases in excess of those in the economy as a whole at that pay level, members nevertheless felt they should consider means of reducing the distortions to the salary structure caused by higher increases awarded to ranks up to chief superintendent compared with those for the chief officer ranks. They therefore considered the effects on salaries of restoring the internal relativities implicit in Edmund-Davies. The effects of different approaches are set out in Appendix D.
- 6.6 The working party felt that the case for narrowing the differential between chief inspectors and superintendents was also supported by the consideration that chief inspectors' overtime has reduced since before Edmund-Davies. This reflects the faster rise in the earnings of superintending ranks as opposed to those of federated ranks, according to OME's surveys in 1979 and 1981.
- 6.7 The earnings surveys show a reduction in the average weekly overtime hours worked by chief inspectors in Great Britain of 2.28 as between May 1977\* and October 1981 - on the maximum of the chief inspectors' salary scale this would be worth £870 a year. A reduction in the superintendents minimum

\* The figures for May 1977 were those on which Edmund-Davies based his judgments.

salary point of this order would still leave a differential of over £2000 a year between the chief inspectors' scale and the minimum of the superintendents' scale, and superintendents' average earnings would still comfortably outstrip the average earnings of chief inspectors, except in the RUC where chief inspectors are paid for long periods of overtime.

6.8 Between the 1979 and 1981 earnings surveys, increases were higher for the superintending ranks than for the federated ranks as follows :-

Increase between November 1979 and October 1981 in average earnings

	<u>All federated ranks</u>	<u>All superintending ranks</u>
<u>U.K.</u>	+ 33.7%	+ 37%
<u>England &amp; Wales outside London</u>	+ 34.1%	+ 36.3%

6.9 On the basis of the considerations in paragraphs 6.7 and 6.8 together with the compression of differentials between chief superintendent and assistant chief constable\*, the working party recommend that the Official Side of Committee B seek to negotiate a lower percentage increase for the superintending ranks this year than that for chief inspectors, and furthermore that the Staff Side be warned of this intention without delay.

6.10 The working party believe that such an adjustment to the Edmund-Davies base for superintendents' salaries is justified by events since Edmund-Davies, and therefore comes within the terms of the last paragraph of his report which states :

"... either side of the new negotiating body should be able to propose variations to the updating process in the light of changes either in the police service or in pay movements in the economy as a whole."

\*The Edmund-Davies differential for ACCs was 8.2% as opposed to 6.1% now.

## RENT ALLOWANCE

7.1 The working party have undertaken a full-scale review of the rent allowance system at the request of the Official Side of Committee D. Their first step was to study the operation of the present system and assess its advantages and disadvantages.

7.2 The total amount spent in the U.K. on police rent allowance and the associated compensatory grant\* is estimated to be around £167.5 m p.a, a sum which will increase markedly from 1.4.82 when many forces review their maximum allowances. Rent allowance and compensatory grant constitutes roughly 11% of the total earnings bill for the police service and 6.85% of the total net cost of the service. Details of how the system operates in practice are shown in Appendix E.

7.3 Over the last two decades there has been a continuous growth of owner-occupation in the police service. Over three out of every four officers now receive a rent allowance, and most of those are owner-occupiers. During the same period average rent allowances have risen faster than either police salaries or housing costs generally: between 1960 and 1981, average rent allowances for constables rose by 979%, whereas the constables' starting salary went up by 835% and the housing element of the Retail Prices Index by 677%. Over the last three or four years salaries have risen faster than rent allowances, because of the effects of Edmund-Davies.

7.4 Rent allowance was introduced at a time when most police officers were provided with free housing and those who were not, rented rather than owned their accommodation. The statutory provision of free housing goes back at least to the time of Lord Desborough's inquiry into police pay in 1919 and was justified by the need for police officers to live within a short distance of their place of duty and in housing considered by management to be suitable accommodation for a police officer. Where enough free houses were not available and officers had to rent private accommodation, the rent allowance was designed to put them in the same financial position as those provided with free housing.

7.5 The working party considered that, while the theory of putting tenants and owner occupiers in broadly the same financial position as those in provided housing was defensible in principle, there were a number of major objections to the present system:

(i) The owner-occupier is in fact in a far better financial position than the officer in provided housing because he subsidised in acquiring a major capital asset for his retirement.

(ii) While the allowance may not match up to an owner-occupier's outgoings initially, the fact that it keeps up with inflation while mortgage outgoings largely stay still means that the allowance eventually outstrips the mortgage outgoings, with the result that by the end of his career an officer's rent allowance and tax reimbursement will comfortably exceed what he is paying by way of mortgage, in many cases.

(iii) The valuation of the typical house is based on the market for private rented accommodation. In recent years this has been a rapidly dwindling market with the result that valuations may easily be unrepresentative and artificially high. It may well be the case that at a time when house prices are steady or diminishing, private rents are not similarly affected.

\*reimbursement of tax paid on rent allowance received

(iv) The force maximum limit is set by a purpose-built house which is generally of the better class of provided housing, rather than strictly speaking "typical".

(v) No account is taken of the 'loss of amenity' experienced by those in provided housing, principally in the form that their accommodation is often sited in positions (e.g. as part of police stations) or areas (e.g. on council estates) where those not in provided housing would probably not choose to live, and that the accommodation is not their own.

7.6 In the light of these objections the working party has considered the following possible alternatives to the present system:

(i) straightforward consolidation - i.e. rent allowance ceases in return for a corresponding increase in pensionable pay.

(ii) a modified version of the existing system along the lines proposed in 1978 by the Official Side to Edmund-Davies.

and (iii) basing payments on housing costs outside the police service e.g.:

(a) council house rents ;

(b) house prices;

or (c) charges paid by Armed Forces personnel for married and single quarters.

A brief note on each option is attached as Appendix F.

7.7 Of the alternatives considered the working party favoured basing rent allowances on the charges paid out of taxed income by Armed Forces personnel for married quarters. These charges are based on average local authority rents and rates for houses of similar average age and size, abated by about a third to reflect the relative absence of security of long-term tenure of those in married quarters. In addition, the charges take account of the hire of furniture and equipment (a factor which would presumably not apply to the police) and of the extent to which maintenance and decoration standards exceed "normal" local authority practice. All these elements are assessed annually by the Armed Forces Review Body who then recommend charges for each type of quarter to take effect from 1st April each year. The information on which this assessment is made relates to the year beforehand, e.g. the charges effective for the year from 1st April 1981 are based on information about local authority rents and rates in 1980/81.

7.8 On the face of it, the two systems are entirely dissimilar: with the police, housing is provided free in addition to salary under statutory Regulations or a rent allowance is paid instead; with the armed services, housing is paid for out of the individual's salary.

7.9 On closer examination, the armed forces arrangements are significant for the police, because the stated purpose of rent allowance has always been to "put the officer not in provided accommodation in broadly the same financial position as the officer who is in provided accommodation." The problems of devising a satisfactory rent allowance system have always lain in the difficulty of putting a cash figure on the value of provided housing. That difficulty appears to be overcome when one considers that the armed forces (who have three times as many personnel in provided housing as do the police) do indeed put a cash figure on



the value of provided housing, which with suitable adaptations could be used as a basis for the police. Put another way, if the police, like the armed forces, had to pay for provided housing the likely basis would be average local authority rents plus rates, rather than anything based on house prices or free market rents.

A new approach to rent allowance, based on average local authority rents

7.10 The working party recommend adoption of a new system, under which those currently receiving a maximum limit rent allowance would receive a non-pensionable allowance based on :

(a) the average local authority rent (before rent rebates) for three bedroomed council houses built since the last war ;

(b) local authority and water rates;

and (c) continuation of compensatory grant to cover income tax that would be payable if (a) and (b) were being paid by the individual out of taxed income. [ At first sight this element may seem paradoxical. But the officer in provided housing does not pay rent, rates or taxes on the value of that house, and the basic assumption underlying the proposal is that the value of a police provided house is broadly equivalent to the charge paid out of taxed income for a similar house by a member of the armed forces.]

7.11 If the above general approach were to be accepted four major questions would need to be decided, and a series of less central ones. The major points are :

(a) should there be an abatement, as with the armed forces, to average local authority rents to reflect relative absence of security of tenure - i.e. that a police officer cannot live in his retirement in a police house?

(b) should the allowances be fixed every year, as with the armed forces, or every two years as currently with the police?

(c) should the allowances, as with the armed forces, be based on data which is nearly a year out of date?

(d) should the allowances be based nationally, regionally or by force?

7.12 An abatement to reflect absence of long term tenure could not simply be calculated. Whereas the armed forces' charges appear from the published figures to abate average local authority rents by about a third, the Staff Side could argue that the police officer in provided housing has in fact got relatively greater security of tenure than his armed forces' counterpart. Moreover, the standard of police provided housing may on average be better than that of council housing - but that factor is partly taken into account if the local authority rent comparison is to be drawn from 3 bedroom houses built since the last war. Taking all these points into consideration the working party consider an abatement of around a fifth to be in order.

7.13 New arrangements based on average council house rents would be dependent on figures provided by CIPFA, whose statistics on average council rents are published each February relating to the end of the previous April. While in theory it would be possible to add to those figures the Government's projected average change in council rents for the ensuing year, such projections are not always borne out by events. It therefore seems preferable to put to the Staff Side a trade-off between (a) using rent figures which are nearly a year old and (b) moving from the present biennial review to an annual one (preferably 1st April for all forces to coincide with the beginning of the financial year).

7.14 For the reasons developed in Appendix G, the working party consider that the rental element in the new allowance should be a national figure, with separate calculation for London, but that the rates element should vary according to the level of local rates.

7.15 If the above proposals were to be agreed with the Staff Side it is estimated that the following average allowances would result :

<u>Present arrangements (as at November 1981; would increase markedly for 1982/3)</u>	<u>£ per week</u>	
(1) Average rent allowance for all federated ranks in England and Wales (Source: OME Survey)	22.43	
(2) Compensatory grant payable on 1 at end of financial year (assume 35%)	<u>7.85</u>	
	<u>30.28</u>	
<u>Proposed arrangements (would be effective during 1982/3)</u>	<u>No abatement to 1.</u>	<u>20% abatement to 1.</u>
(1) Average unrebated local authority rent for 3 bedroom post war houses in England and Wales - 1981/2 figures (Source: CIPFA)	12.39	9.91
(2) Average domestic and water rates 1981/2 (CIPFA figures show the average domestic rates payable for all dwellings to be £4.46 a week; this has been rounded up to £5 on the assumption that the average for 3 bedroom houses will be somewhat higher).	6.16	6.16
(3) Compensatory grant payable on 1 and 2 at end of financial year (assume 35%)	<u>6.49</u>	<u>5.62</u>
	<u>25.04</u>	<u>21.69</u>

7.16 On the basis that the current rent allowance bill is around £167 m a year the proposal would eventually lead to annual savings of around £29m (around £47m if there were an abatement to average local authority rents of 20%). In fact it is not presently possible to be so precise as that for three reasons: (a) the figure quoted for average rent allowance includes those receiving flat rate rent allowances who would not necessarily receive the full allowance under new arrangements; (b) the average rates on police houses may be higher than those allowed for; and (c) the figures do not take account either of the big increase that will come about in most forces from 1st April 1982 under the present arrangements, or the effects of having adjustments annually under the proposed arrangements instead of every two years as at present. The combined effects of these unknown quantities may well be such that the figures in the previous paragraph underestimate the potential savings.

7.17 The working party were aware that local authority rents tend to move unevenly: for instance last year's increase averaged over 40%. There is therefore a possibility that local authority rents will increase in real terms, i.e. faster than the general level of inflation. Nevertheless the available figures (Appendix H) show that average council rents during 1981/82 were at their highest level in real terms for fifteen years. If council rents are to be adopted as the new criterion for rent allowances the Official Side can be reasonably confident that if they are not at the peak of the cycle they should be close to it.

7.18 On the above basis the working party recommend the adoption of the following scheme to be put to the Staff Side of Committee D on 21st April 1982:

(1) Each 1st April rent allowances to be calculated for federated ranks as follows :

(a) national rental element to be based on latest CIPFA figures for unrebated rent for local authority tenants of 3 bedroomed post-war council houses, abated by 20%.

(b) domestic and water rates (the precise method by which this element would be calculated is under consideration with financial advisers).

(c) compensatory grant on (1) and (2).

(2) Separate calculation for London.

(3) Review of present arrangements for flat rate allowances and those for ranks above chief inspector, the status quo prevailing in the meantime.

(4) Implementation date 1.4.83, with those receiving higher allowances at that date marking time.

7.19 In making these recommendations the working party appreciate the likelihood that they will evoke a very strong reaction from the Staff Side who see Edmund-Davies as having endorsed the present system. Whilst it is true that Edmund-Davies did not accept the Official Side's 1978 proposals on rent allowance and thought the present system "manifestly fair", the key sentence on this subject in his report was in paragraph 248:

"The purpose of rent allowance was, and has remained, that an officer who provides his own accommodation should be put in broadly the same position as one who is provided with free accommodation".

The working party have taken that proposition as their starting point, and through the analysis summarised in paragraph 7.5 have concluded that the present system is manifestly unfair to those in provided accommodation. They have gone on to make the case for putting a cash figure on the value of provided housing, so that an allowance instead of free housing can be genuinely derived.

PENSIONS

8.1 The working party noted that the Official Side of Committee E had initiated a review of police pension contributions with a view to putting them on a basis more consistent with the rest of the public sector. As a first stage of that review the various officials have been given the task of identifying and examining facts relating to police pensions. The next meeting of Committee E is to be held in May 1982, and the Official Side's intention is to commence substantive discussions at that meeting.

8.2 If the police are to pay a similar proportion of the value of their pension scheme to that paid by most other public servants, present indications are that their pension contribution would rise from the present 7% to at least 10% or 11%. If this can be achieved it will obviously mitigate considerably the effect of future salary increases, and the working party whole-heartedly endorse the approach of the Official Side of Committee E, which ideally should lead to a result in time for the next pay increase due on 1st September 1982.

OTHER ALLOWANCES

9.1 The working party received a register of all the allowances payable to police officers other than rent allowance. While there are several such allowances the working party have concentrated their attention on rent allowance which constitutes the great bulk of expenditure on allowances (nearly 90% in one force).

9.2 The register of allowances and the working party's comments thereon will be made available to the Official Side of Committee D for future reference.

41 Belgrave Square  
LONDON, SW1.

MARCH 1982

APPENDIX A

POLICE NEGOTIATING BOARD  
OFFICIAL SIDE WORKING PARTY  
LIST OF MEMBERS AND ADVISERS

Association of County Councils

Mr. H.Purcell (Chairman)  
Mr. R.G.Owen  
Dr. S.J.Cox  
Mrs. N.M.Clegg

Advisers

Mr. J.E.Barton  
Mr. R.W.Gash  
Mr. G.S.Pollard

Association of Metropolitan Authorities

Cllr G.H.Moores  
Cllr R.Darrington  
Cllr E.T.Shore

Association Secretariats

Mr. C.J.Berry  
Mr. D.C.Stazicker

Convention of Scottish Local Authorities

Cllr J. Jennings

Working Party Secretariat

Mr. C.C.Nolda  
Mrs. C.Laney

Northern Ireland Police Authority

Mr. W.Mc C. Taylor

Home Office

Miss J.M.Goose  
Mr. R.C.Yeates

Changes since Edmund-Davies in earnings and salaries of  
police officers and of other workers

STATISTICAL DATA

1. The available information is as follows :

(i) changes in police salaries can be calculated by reference to the annual police pay awards.

(ii) figures on total police earnings and hours come from two sources - the Office of Manpower Economics earnings surveys of November 1979 and October 1981; and the Department of Employment's New Earnings Survey (NES) relating to April of each year and published in the following October. The OME surveys of police earnings are comprehensive and based on relatively large samples; they are reliable indicators of police earnings, subject to debate on the representativeness of the chosen pay periods in respect of overtime. The NES surveys 1% of the entire employed population and produces both summary results (e.g. for all adult males) and results broken down by occupation, industry, age, negotiating group and region. The full results run to six volumes. But there has always been some doubt within the Secretariat as to the representativeness and accuracy of the NES' figures on police for two reasons: firstly, the survey month of April is the month in which compensatory grant is paid for the whole of the preceding year and it is always possible that although the survey should not include back pay some returns include all of it, others include only a twelfth of it, and others none at all; the second area of doubt surrounds whether returns put in a figure for the value of provided housing - they are not meant to, but some may do so.

(iii) figures on outside earnings come from the annual NES described above and from the monthly index of average earnings, which simply measures monthly changes in average earnings. This index is also broken down into separate industries. Figures on outside hours related to earnings are available only through the NES.

(iv) changes in manual workers' basic wages can be measured through the monthly wage rate index. This formed the basis of the police pay formula recommended by the 1960 Royal Commission on the Police, but it has long been accepted that the wage rate index moves at a different speed (usually more slowly) from the earnings index. The wage rate index relates only to manual workers (mainly in manufacturing industry), and takes no account of overtime, incremental payments, bonus or "drift" (the process by which jobs progressively become regraded).

2. Edmund-Davies was not fully implemented until May 1979 and therefore the effects did not show up in the NES until 1980. This means that the NES police figures can only be used for post Edmund-Davies comparisons for 1980 and 1981. Although Edmund-Davies was not fully implemented until May 1979, the full recommendations were considered valid for September 1978 by the Committee of Inquiry. This means that any comparison of changes in police salaries with outside earnings since Edmund-Davies should really be based on September 1978 rather than May 1979.

3. Table I below compares changes in police salaries with those in average earnings and wage rates.

Table I

<u>Percentage increases in</u>	Sept '78 - Sept '81	May '79 - Sept '81
1. Police salaries	55.8	55.8
2. Earnings index	57.6	45.6
3. Earnings index adjusted for changes in hours	62.9*	50.9 <sup>+</sup>
4. Wage rate index (hourly)	47.3	34.8

\* i.e. adjusted for changes in average hours for adult males as at April 1978 and April 1981

+ i.e. adjusted for changes in average hours for adult males as at April 1979 and April 1981

As can be seen police salaries since the valid date of Edmund-Davies have not outstripped average earnings. Before the next police pay rise, of course, the increase in the earnings index will be that much greater than the figures shown for up to September 1981. This illustrates the Staff Side point that the indexation arrangements are of a catching-up nature.

4. Table II below is based on the two OME surveys of police earnings in November 1979 and October 1981, compared with changes over the same period in average earnings and manual wage rates.

TABLE II  
Percentage increases  
November 1979 - October 1981

	<u>UK</u>	<u>London</u>	<u>E &amp; W excl. London</u>
1. Police weekly earnings excl. rent allowance			
1.1 Uniformed constables	35.1	30.4	34.8
1.2 All federated ranks	33.7	30.0	34.1
1.3 Uniformed chief superintendents	36.2	36.6	36.5

		<u>UK</u>	<u>London</u>	<u>E &amp; W excl. London</u>
2.	Police weekly earnings for rent allowance recipients			
2.1	)	34.9	29.8	34.8
2.2	) as above	33.4	27.8	33.7
2.3	)	36.0	37.2	36.5
3.	Police hourly earnings excl. rent allowance			
3.1	) as 1.1 & 1.2	37.5	36.1	36.9
3.2	)	36.9	35.7	36.9
4.	Police hourly earnings for rent allowance recipients			
4.1	) as 1.1 & 1.2	37.5	35.7	36.8
4.2	)	36.7	35.6	36.2
5.	POLICE SALARIES (1.9.79 - 1.9.81)		<u>UK</u> 37.3	
6.	EARNINGS INDEX		31.7	
7.	EARNINGS INDEX ADJUSTED FOR CHANGES IN AV HRS*		36.5	
8.	WAGE RATE INDEX	Weekly	22.6	
		Hourly	22.9	

\* i.e. adjusted for changes in average hours for adult males as at April 1979 and April 1981.

This shows that police average earnings rose faster over that period than average earnings in the economy (police: + 33.4%; outside: + 31.7%). This is attributable to the fact that the police earnings surveys were conducted in November/October rather than May which is the month used for determining the annual increase. Other points of note are:

(i) the increase in police hourly earnings (+36.7%) was about the same as that shown by the increase in the earnings index crudely adjusted for changes in hours (+ 36.5%).

(ii) police earnings rose more slowly than police salaries, for two reasons - overtime reductions particularly in London, and rent allowance going up slightly less fast than other components of earnings.

(iii) chief superintendents' earnings rose faster than those of constables whose earnings in turn rose faster than those of their other colleagues in the federated ranks.



6. Table III below is based entirely on NES data for April 1980 and April 1981.

TABLE III  
Percentage Increases  
April 1980 - April 1981

1. Federated ranks average weekly earnings	11.2	
2. Federated ranks average hourly earnings	18.7	
3. Federated ranks weekly earnings: highest decile	6.0	
4. Federated ranks weekly earnings: lowest decile	14.4	
5. Male Non-manual average weekly earnings	15.4	
6. Male Non-manual average hourly earnings	16.2	
7. Male Non-manual weekly earnings: highest decile	15.5	
8. Male Non-manual weekly earnings: lowest decile	13.9	
9. Male manual average weekly earnings	9.1	
10. Male manual average hourly earnings	12.0	
11. Male manual weekly earnings: highest decile	9.8	
12. Male manual weekly earnings: lowest decile	13.9	
13. All male average weekly earnings	12.9	<u>Private Sector only</u>
14. All male average hourly earnings	15.2	11.1
15. All male weekly earnings: highest decile	15.8	not available
16. All male weekly earnings: lowest decile	11.0	14.1
		11.4
17. Police Salaries (1.9.79 - 1.9.80)	21.3	
18. Wage rate index	10.9	

In the period shown police salaries increased by 21.3% (September 1980 award) but the NES figures show average weekly earnings of federated ranks having gone up by only 11.2%. The most obvious explanation is that the 1980 police sample must have worked considerably longer hours than the 1981 sample. This is borne out by the average police hourly earnings having risen, accordingly to the NES, much faster - by 18.7%. However the OME police surveys show relatively little movement in average overtime hours between November 1979 and October 1981, admittedly a small reduction but nothing dramatic.

7. Finally Table IV compares movements in the economy as a whole between April 1979 and April 1981 compared with police salary increases in September 1979 and 1980.

TABLE IV  
Percentage Increases  
April 1979 - April 1981

	Average Earnings			Gross Weekly Earnings	
	gross weekly	Weekly w/out o/time	gross hourly	highest decile	lowest decile
Non-manual males	44.2	45.3	45.2	46.9	39.3
All males	38.6	42.2	43.0	44.0	33.9
Non-manual females	46.5	46.6	46.9	38.8	38.8
All females	45.1	45.4	45.7	53.2	37.7
Public sector all males	43.7	not available		48.2	40.0
Private sector all males	34.7	- do -		39.2	32.1

Earnings Index (seasonally adjusted): +38.2%

Police salary increases over some period (discounting May 1979): 37.7% at all points of the scale.

This table clearly illustrates the effects of "Clegg" in that public sector rises April 1979 - April 1981 clearly outstripped those of the private sector. (Taking different years, for instance April 1976 - April 1978, the same pattern would not emerge).

POLICE NEGOTIATING BOARD

OFFICIAL SIDE : WORKING PARTY

Procedure for assessing annual increases in  
police salaries

1. The procedure adopted up to now in determining police salary increases post-Edmund-Davies has been to apply the percentage increase in the Earnings Index for May over the figure for the previous May. The significance of May is that it is the last month for which final figures are available before the operative date of 1st September.

2. It has been suggested in the past that to rely solely on one month's figures runs too much risk of getting a freak result - e.g. through a large amount of backpay distorting that month's figures. Accordingly the following table compares different bases of calculation.

Earnings Index Increases 1978 - 1981

May	April	June	Average of March/April/May	Average of April/May/June	September
55.8%	56.7%	54.5%	56.9%	55.7%	57.6%

This table tends to show that in practice the choice of May (given that June's figures are not available until after the settlement date of 1st September) has not had a distorting effect on the results.

Restoration of Internal Relativities Implicit in Edmund-DaviesAlternative Approaches

	Present Salary	<u>Alternative</u>			
		1.	2.	3.	4.
	£	£	£	£	£
Constable, max	8883	8883	8883	8883	8883
Sergeant, max	9744	9709	9596	9744	9744
Inspector, max	11064	10987	10697	11064	11064
Ch. Inspector, max	12309	12189	11734	12309	12309
Superintendent, max	16440	16171	15167	16222	15601
Ch. Superintendent, max	18003	17673	16463	17698	16543
A.C.C.	19001	19001	17694	19001	18024

Alternative

1. Edmund-Davies relativities restored for officers on salary points between constable maximum and ACC.
2. Edmund-Davies relativities restored for officers on salary points between constable maximum and middle range chief constable.
3. Edmund-Davies relativities restored for officers on salary points between chief inspector maximum and ACC.
4. Edmund-Davies relativities restored for officers on salary points between chief inspector maximum and middle range chief constable.

HOW THE RENT ALLOWANCE SYSTEM WORKS

1. Every police officer receives a rent allowance or is provided with housing free of rent, rates and taxes. Those receiving rent allowance (77% of the total) are paid either :

(a) a maximum limit allowance. This is paid to 79% of those receiving rent allowance and is based on the free market rental valuation plus rates of the officer's house, subject to a ceiling set for that particular force by the force maximum limit (see paragraph 2 below).

(b) a flat rate allowance. This is paid to 21% of those receiving rent allowance and is equivalent to half the force maximum limit. Those qualifying for the flat rate allowance are broadly speaking single officers under 30 and with less than five years' service and officers married to other officers (each partner receives a flat rate allowance).

2. Each force has its own force maximum limit which for the federated ranks is determined by reference to a police house agreed by the police authority and the staff associations to be typical of the force's stock of provided housing. The force maximum limit, which is reviewed every two years, is the total of :

(a) the District Valuer's assessment of the house's rental value on the open market if it were let unfurnished.

and (b) the rates payable on the house.

The force maximum limit for the superintending ranks is 16% higher than that for the federated ranks, the assistant and deputy chief constables have a further differential of 16%, and the chief constable a further differential of 16%. Thus the chief constable's force maximum is 56% higher than that for the federated ranks in the same force.

3. Rent allowance is not pensionable, nor is it taken into account in calculating overtime payment.

ALTERNATIVES TO THE PRESENT RENT ALLOWANCE SYSTEM

1. Realistic alternatives to the present system fall into three groups:
  - (i) straightforward consolidation - i.e. rent allowance ceases in return for a corresponding increase in pensionable pay.
  - (ii) a modified version of the existing system along the lines proposed in 1978 by the Official Side to Edmund-Davies (see paragraph 5.5 above).
 and (iii) basing payments on housing costs outside the police service, e.g.:
  - (a) council house rents;
  - (b) house prices;
  - or (c) charges paid by Armed Forces personnel for married and single quarters.

2. Consolidation If one discontinues rent allowance and adds an equivalent sum to the salary bill, considerable additional expenditure arises through increases to the pensions and overtime bills. Such an approach would only be worth contemplating if one could be confident that over a sustained period the rent allowance would increase substantially faster than salaries. Given the Edmund-Davies pay formula and the current doldrums in the housing market, it appears that now would not be a good time to consolidate rent allowance on the basis of the average currently received\*. If the Official Side proposed to discontinue the allowance in return for a smaller increase in pensionable pay, they would have to find a rationale for doing so - which leads on to the possibilities discussed below in paragraph 7 m. and following.

3. Modified rent allowance system as suggested to Edmund-Davies Under this option the method of fixing force maximum limits would not be changed. Compensatory grant would be abolished. In return, all those who currently qualify for a maximum limit allowance would receive the force maximum limit itself and in addition the lowest force maximum limit in the country would be pensionable. In 1978 the Official Side estimated that their proposal would save authorities on average £6.44 a week for each officer in service, but would eventually add £7.31 a week on average to the pensions of those currently serving. Given that officers serve for longer than they receive pensions, the proposal would have brought about a large immediate saving, with a reduced saving after 30 years.

Pros Simpler administration. Removes compensatory grant. Financial saving.

Cons Already dismissed by Edmund-Davies. Does not solve the problems stemming from basing rent allowance on biennial open market valuation of the selected house.

\*The Staff Side of course would as in the past hold out for consolidation of the highest rent allowance actually paid.

4. Linking rent allowance to costs elsewhere in the housing market Independent figures are available on (i) council house rents (CIPFA); (ii) house prices - subdivided into: new; post-1919; pre-1919 (Nationwide Building Society); (iii) average household expenditure on rents/house purchase costs - subdivided into council house rents; private rents; owner occupiers' costs but not mortgage repayments (Department of Employment's Family Expenditure Survey); and (iv) charges paid by Armed Forces personnel - subdivided into married and single quarters according to different ranks and standard of accommodation (OME).

5. Some of these independent figures would probably carry more confidence as a measure of housing costs in the community than the open market rental criterion which is the current basis for rent allowance. However, there are complications. For instance, with council house rents, there are wide variations in the amount of "subsidy" from different local authorities, the type and standard of housing, and the proportion of total costs formed by interest payments. It should however be possible to overcome these difficulties to some degree.

6. Again, if an allowance were based on all or a proportion of the cost of house purchase, the system would be vulnerable to the dramatic rises in house prices that have been seen periodically over the last ten or fifteen years. Moreover, there would still be the problem of compensating police officers for inflation in house prices which they do not themselves experience: for instance, if rent allowance were based on average mortgage repayments of, say, a post-war 3-bed semi plus rates the allowance would go up broadly with housing costs even though the individual's mortgage repayments stood largely still. One way round that would be to split the allowance into two elements - the first to cover fixed costs (i.e. the mortgage repayments minus interest fluctuations; and the second to cover variable costs i.e. rates and interest fluctuations on the mortgage). While this would prevent police officers benefitting from inflation in house prices, it would mean markedly different levels of allowance depending on the year in which an officer bought his house. Not only would this method be administratively far more complex even than the existing system, but, because it would tend to give younger officers higher allowances than those who had bought their houses several years before, it could cause severe problems in terms of morale and incentive.

7. On the face of it more promise is held out by the practice of the Armed Forces, who nearly fifteen years ago departed from payments in kind allied to low salaries in favour of comprehensive salaries (known as the military salary) from which those provided with food and/or quarters are required to pay charges. To a large extent married quarters in the Armed Forces can be seen as equivalent to police provided housing. Given that the intention of rent allowance is to give those not in provided housing an equivalent financial benefit, it seems that a valid point of reference is formed by the charges actually paid by those in armed forces' accommodation.

8. The armed forces' housing charges are based on four elements :

- rent (unfurnished); this is based on average rents charged by local authorities for houses of similar size, but abated "to reflect only that part of local authority rents which related to the direct cost of occupancy - the running costs in terms of supervision and management and expenditure on repairs - rather than capital costs. This recognised the fact that those in service quarters do not enjoy the same degree of security of long term tenure as do local authority tenants." (Paragraph 93 of 1981 report of Armed Forces Pay Review Body). The reason quoted by the Review Body for abating local authority rents as described applies also to police officers.

- average rates payable for each type of quarter.
- a charge for hire of furniture and equipment. This would not apply to the police.
- a charge for the cost of maintenance and decoration over and above local authority practice. How far this would be applicable to the police would depend on an assessment of the standard of maintenance and decoration in police provided housing vis-a-vis that in council housing.



GEOGRAPHICAL BASIS FOR CALCULATION OF ALLOWANCE

(The discussion in this appendix is based on England and Wales; figures relating to rents in Scotland and Northern Ireland are being sought).

1. The present system whereby maximum limits are fixed for each force is intended to allow the rent allowance to reflect local housing costs. But a comparison of the existing maximum limits in some neighbouring forces does not encourage the belief that that intention is borne out in practice. For instance :

<u>Force</u>	<u>Maximum limit (p.week)</u>	<u>Date of last Review</u>
Cleveland	£ 31.99	9.11.80
Durham	£ 23.37	1. 4.80
S.Yorkshire	£ 23.25	) 1. 4.80
W.Yorkshire	£ 28.12	
G.Manchester	£ 24.63	) 1. 4.80
Merseyside	£ 26.05	
Cambridgeshire	£ 24.67	1. 4.80
Norfolk	£ 29.60	1. 8.80
London	£ 38.01	) 1. 4.81
Kent	£ 43.55	
Essex	£ 34.00	

2. However, even if the system were changed to an annual review based on average council house rents there would still be anomalous differences between forces as the following table shows :

<u>Region</u>	<u>Average Rent</u>	<u>Force area with highest rent</u>	<u>Force area with lowest rent</u>
NORTHERN	£11.57	Cleveland - £12.09	Cumbria - £10.87
YORKSHIRE	£11.04	W.Yorkshire - £11.82	N.Yorkshire - £ 9.85
NORTH WEST	£12.47	Merseyside - £14.21	Manchester - £11.65
E.MIDLANDS	£11.36	Northants - £11.45	Leicestershire - £10.58
E.ANGLIA	£12.39	Suffolk - £12.74	Cambridgeshire - £11.62
W.MIDLANDS	£12.71	W.Midlands - £13.42	Staffordshire - £11.66
S.EAST (excl.London)	£13.44	Hampshire - £14.43	Bedfordshire - £11.82
LONDON	£15.10		
S.WEST	£12.52	Dorset - £12.67	Glos - £12.09
WALES	£12.15	Gwent - £13.29	Dyfed-Powys - £11.84
ALL ENGLAND & WALES	£12.39	London - £15.10	N.Yorkshire - £ 9.85
ALL OUTSIDE LONDON	£12.22	Hampshire - £14.43	N.Yorkshire - £ 9.85
ALL OUTSIDE LONDON & S.EAST	£11.95	Merseyside - £14.21	N.Yorkshire - £ 9.85

Annex 1 sets out for each force in England and Wales the current maximum limit rent allowance for federated ranks, the date of the last review, and the average local authority rent for 3 bedroom post-war council houses.

3. As can be seen from the previous table and Annex 1, a force-based system would still lead to anomalies, for instance a £2.50 a week difference between Merseyside and Manchester, magnified to £3.65 a week through the addition of grossed-up tax. These anomalies are largely due to the different policies of different local authorities on the matter of council house rents and differences in the local composition of housing stock - for instance an authority whose stock of post-war 3 bedroom houses was largely built in the late 40s and 50s will other things being equal, have a lower average rent than an authority which built heavily during the 60s. While there are such ready explanations for the differences, they are not going to carry conviction with police officers when it comes to explaining why their rent allowance is different from that in a neighbouring force.

4. To some extent the differences would be smoothed out by adopting regional averages, but it would still be difficult to justify, for example, paying more to an officer in Cumbria than one in Leeds or Sheffield.

5. There therefore appears to be a case for considering a more radical approach than at first seemed appropriate, i.e. either introducing a national rate or one rate for London and one for the rest of the country. This would of course apply only to the rent element of the proposed allowance; the rates element would vary force by force, the variation being considerable as can be seen in Annex 2 which shows the average domestic rates payable per "domestic hereditament" in 1981/82, force area by force area. One advantage of a national rate for the rental element is that it would be appreciably cheaper than force or regional rates.\*

6. If a national rate for the rental element were adopted, there would still need to be separate consideration for London, if only because the police London weighting presently excludes the housing element of the Pay Board formula for London weighting. The problem could be dealt with either by having separate rental elements as between London and the rest of the country, or by adding the housing element of the Pay Board formula to the national rental figure, for those in London.

\*the explanation for this lies in the fact that the geographical distribution of police officers does not match that for 3 bedroom post-war council houses, particularly in London where the concentration has been on flats even more than in the other cities.

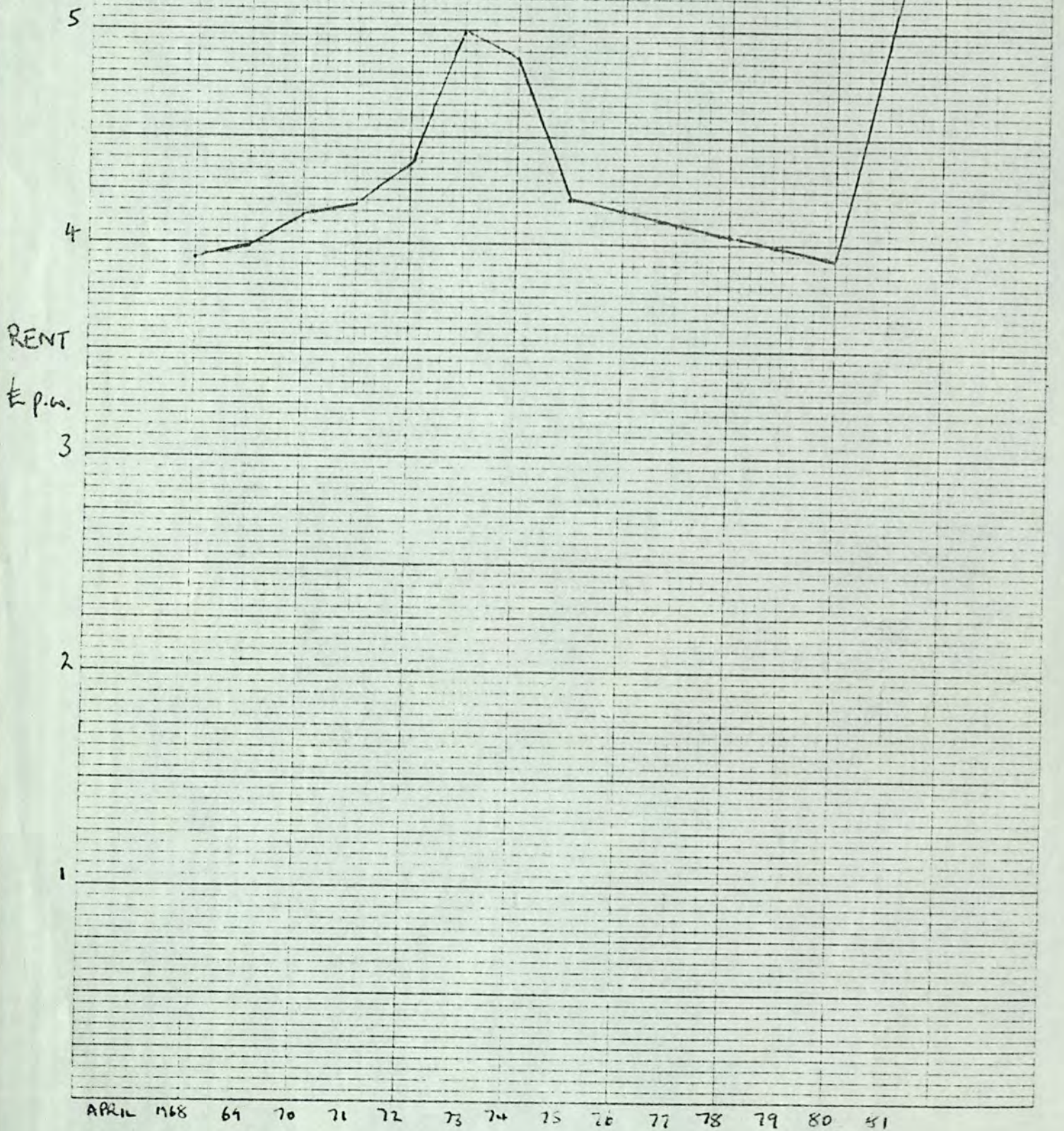
<u>Force</u>	<u>Force Maximum Limit</u>	<u>Date of Last Review</u>	<u>Average Unrebated Rent 1981/82 for 3 Bedroom Council House</u>
	<u>per week (£)</u>		<u>per week (£)</u>
Avon & Somerset	33.58	1.4.81	12.63
Bedfordshire	33.50	1.4.80	11.82
Cambridgeshire	24.67	1.4.80	11.62
Cheshire	36.25	1.5.81	11.79
Cleveland	31.99	9.11.80	12.09
Cumbria	24.15	1.4.81	10.87
Derbyshire	28.47	1.10.81	11.09
Deveon and Cornwall	27.23	1.4.80	12.58
Dorset	25.77	1.4.80	12.67
Durham	23.37	1.4.80	11.21
Dyfed - Powys	21.75	1.4.80	11.84
Essex	34.00	1.4.81	13.71
Gloucestershire	25.50	1.4.80	12.07
Greater Manchester	24.63	1.4.80	11.65
Gwent	28.02	1.12.81	13.29
Hampshire	34.73	1.10.81	14.43
Hertfordshire	34.79	1.4.80	12.44
Humberside	26.63	1.4.80	11.39
Kent	43.55	1.4.81	13.16
Lancashire	25.90	1.4.80	12.05
Leicestershire	26.95	1.4.81	10.58
Lincolnshire	24.02	1.7.80	11.10
London - Metropolitan	38.01	1.4.81	15.10
London - City	38.01	1.4.81	15.10
Merseyside	26.05	1.4.80	14.21
Norfolk	29.60	1.8.80	12.47
Northamptonshire	22.16	1.4.80	11.45
Northumbria	22.91	1.4.80	11.66
North Wales	28.80	1.4.80	12.23
North Yorkshire	25.63	1.4.80	9.85
Nottinghamshire	23.79	1.4.80	12.03
South Wales	30.78	1.4.81	11.89
South Yorkshire	23.25	1.4.80	10.44
Staffordshire	26.16	1.4.80	11.66
Suffolk	26.57	1.4.80	12.74
Surrey	33.98	1.7.80	14.30
Sussex	27.25	1.4.80	13.05
Thames Valley	31.80	1.10.80	13.12
Warwickshire	30.66	1.4.79	13.04
West Mercia	33.25	1.4.81	12.06
West Midlands	27.81	1.4.80	13.42
West Yorkshire	28.12	1.4.80	11.82
Wiltshire	25.58	1.6.80	12.48

Average Domestic Rates Payable (unrebated) per DomesticHereditament 1981/82 (Source: CIPFA)

<u>Force Area</u>	<u>Annual Rates</u>	<u>Force Area</u>	<u>Annual Rates</u>
London	£352	Lancashire	£136
G. Manchester	£234	Leicestershire	£167
Merseyside	£242	Lincolnshire	£157
South Yorkshire	£130	Norfolk	£150
Northumbria	£221	Northamptonshire	£173
West Midlands	£260	North Yorkshire	£172
West Yorkshire	£152	Nottinghamshire	£145
		Staffordshire	£200
		Suffolk	£214
		Surrey	£301
Avon & Somerset	£197	Sussex	£243
Bedfordshire	£273	Thames Valley	£280
Cambridgeshire	£230	Warwickshire	£260
Cheshire	£237	West Mercia	£222
Cleveland	£222	Wiltshire	£189
Cumbria	£153		
Derbyshire	£178	Dyfed - Powys	£110
Devon & Cornwall	£172	Gwent	£156
Dorset	£247	North Wales	£170
Jurham	£167	South Wales	£157
Essex	£260		
Gloucestershire	£213	All England & Wales	£233
Hampshire	£238	Outside London :	
Hertfordshire	£309	Metropolitan areas	£226
Humberside	£140	Shire areas - England	£214
Kent	£203	Shire areas - Wales	£152

AVERAGE WEEKLY COUNCIL HOUSE RENTS, ENGLAND & WALES  
 (UNREBATED; EXPRESSED IN AVERAGE 1975 PRICES)

SOURCE: D O E



CONFIDENTIAL

cc Mr. Hoskyns

*Police*

*PA*

MR. SCHOLAR

Prime Minister's meeting on pay on 27 April: police

There was some discussion in PSP(O) this morning about the issues that will have to be tackled by Ministers next Tuesday morning when they meet to discuss pay. These will of course be dominated by the decision that will be required on the outcome of the Civil Service Arbitration Tribunal, which will be known this week; and decisions, or at least broad and preliminary ones, will also be required on the recommendations of the three Review Bodies. Immediate decisions on NHS and teachers' pay will not be required, but the position for those groups will form part of the background to the other decisions.

In the light of all this, it seems to me highly unlikely that Ministers will find time to tackle police pay, as proposed in your letter of 19 April. Furthermore, the Home Office have now said that they will be responding later this week to our request for the detail lying behind their review of the current method of updating police pay, and the Treasury have made it clear that they still need to look at this very carefully indeed, and that the Chancellor will not easily be persuaded to agree to a reaffirmation of the Edmund-Davies commitment. I therefore suggested this morning to Peter Gregson, and he welcomed the idea, that I should put to you the proposition that, if the Prime Minister has no objection, you might indicate to Private Secretaries to members of E(PSP) that no substantial discussion of police pay is expected on Tuesday, and that no decisions will be taken, although of course the police pay issue does form part of the background to the other pay issues on the agenda.

Preparation of those other issues for that meeting will have to be done very quickly this Friday and on Monday 26 April: the Treasury do not propose to suggest that the Chancellor put in a paper, and the Cabinet Office will be providing something in the form of an annotated agenda. I will of course put in a note, drawing particular attention to the inter-relationship of the various issues.

21 April 1982

CONFIDENTIAL

*J.V.*  
John Vereker



Police

JR  
bc JV

10 DOWNING STREET

19 April 1982

From the Private Secretary

Dear John,

POLICE PAY

The Prime Minister saw over the weekend the Chancellor of the Exchequer's letter of 16 April to the Home Secretary about police pay.

The Prime Minister hopes that this issue can be considered, together with other pay issues, at the meeting which has been arranged for Tuesday 27 April.

I am sending copies of this letter to the Private Secretaries to members of E(PSP), the Secretaries of State for Scotland, Northern Ireland, and Education and Science, and to Sir Robert Armstrong.

Yours sincerely,

Michael Scholar

John Halliday, Esq.,  
Home Office.

JR


 ja. 5v  
 Prime Minister (2)

A subject

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

16 April 1982

 The Rt. Hon. William Whitelaw CH MC MP  
 Secretary of State for the Home Department

 worth touching  
 up at year  
 general pay meeting  
 early in the week  
 beginning 26/4?

 In Willie  
 Yes

MLS 16/4

## POLICE PAY

Thank you for your letter of 8 April about the review of the method of increasing police pay which the Official Side of the Police Negotiating Board have been undertaking. I have also seen the letter of 13 April from No. 10.

For a number of reasons I would prefer that the existing pay formula should not be reaffirmed at the meeting of the Police Negotiating Board on 21 April. The future of the police pay arrangements is a quite important matter, not least to colleagues who have to defend our refusal to extend similar treatment to other pay groups. I think, therefore, that our response to the review is something which we need to discuss, either in E(PSP) or an ad hoc meeting of Ministers concerned.

We also need time to consider points arising from the review, such as the one which the Prime Minister has raised about the relative position of the police. I understand, for example, that the figures in the first paragraph of your letter actually relate to the period November 1979 to October 1981, and therefore exclude the index-linking settlement in September 1979. The review does, I believe, give figures for the whole period from September 1978 (when the original Edmund-Davies recommendations were meant to be implemented) until after the last settlement in September 1981. But those for the police apparently relate only to settlements rather than earnings, and so are not strictly comparable with the figures for average earnings which are also presented. These are points which officials could usefully consider, for example in PSP(O), before we meet.

We also need to think about the implications for local authority expenditure which you mention in your letter, including your point about penalties for overspending and any wider implications which it may have. There may also be points to consider on the detail of the proposed savings on police remuneration.

/Finally, the



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Finally, the proposed timing is not ideal from the standpoint of civil service arbitration. At the hearing on 19 April the management representatives will be arguing against the index-linking inherent in the unions' emphasis on the cost of living. If it were then to emerge a couple of days later that the indexation commitment to the police had been reaffirmed, that would hardly be helpful.

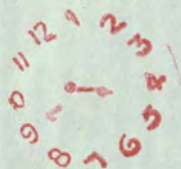
For all these reasons I would urge that the next move should be a collective discussion of the issues in the light of the review.

I am copying this letter to the Prime Minister, members of E(PSP), George Younger, Jim Prior, Keith Joseph, and to Sir Robert Armstrong.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to be "Geoffrey Howe", with a horizontal line underneath.

16 APR 1982





for DSG  
bc J.V.  
Police

10 DOWNING STREET

From the Private Secretary

13 April 1982

Dear John

POLICE PAY

The Prime Minister has seen a copy of the Home Secretary's letter of 8 April to the Chancellor about police pay.

The Prime Minister is somewhat surprised to see the conclusion of the Official Group that the police have not "significantly improved their position in relation to other groups of workers". She would like to see the report of the officials who conducted this review, so as to establish the basis on which they reached this conclusion.

The Prime Minister would also like confirmation that the matter of increased police pension contributions will form part of the main package of negotiations.

I am sending copies of this letter to John Kerr (HM Treasury), Muir Russell (Scottish Office), Barnaby Shaw (Department of Employment), David Edmonds (Department of the Environment) and David Wright (Cabinet Office).

Yours ever

Mike Paterson

John Halliday, Esq.,  
Home Office.

B

CONFIDENTIAL

cc: Mr. Hoskyns

①

Prime Minister

MR. SCHOLAR

Should I address two questions - (i) and (ii) below -  
to the Home Secretary's office?

POLICE PAY

Yes please  
MS 8/4

I have not been able to consult others in Whitehall this afternoon about the Home Secretary's letter of 8 April to the Chancellor, because my normal contacts have started their holiday. But I would like to offer two immediate comments:

i) The conclusion of the official side that the police have not "significantly improved their position" is to put it mildly a little surprising: the police had increases of 13.5% in 1979, 21.3% in 1980, and 13.2% last year. I think we should ask to see the report of the officials who have conducted this review. 7

How they have reached their conclusion.

ii) The review appears to conclude that there should be an increase in police pension contributions, and I confirm that that would be in line with the conclusions of the Official Committee on Pensions (but it applies to all the so-called "fast accrual groups"). The Home Office seem unduly tentative about their ability to negotiate this increase, and it is not immediately clear why it should not form part of the main package of negotiations.

It is true that the Prime Minister reaffirmed the commitment to the Edmund Davies arrangements on 19 March. This formally links police pay to the May average earnings index. I think the Home Office are optimistic in seeing the bottom end of that range as low as 7% this year: it seems to me to be far more likely to be close to double figures. But no decision is called for on these issues yet.

J.M.M. Vereker  
8 April 1982

CONFIDENTIAL

**CONFIDENTIAL**

*Prime Minister*

(2)

*JC JV*



*MUS 8/4*

QUEEN ANNE'S GATE LONDON SW1H 9AT

*8 April 1982*

*Dear Geoffrey*

POLICE PAY

The Official Side of the Police Negotiating Board have been conducting a review of the current method of updating police pay, in order to establish whether there is a case for proposing changes in the Edmund-Davies formula. That review has now been completed and the Official Side have concluded, on the basis of earnings statistics supplied to both sides of the Board by the Office of Manpower Economics, that the police have not, since the full implementation of the Edmund-Davies award, significantly improved their position in relation to other groups of workers. (The figures show that between May 1979 and September 1981, police hourly earnings increased by 36.7%. The comparable increase for the working population as a whole, when adjusted to take account of changes in working hours, was 36.5%.) They have therefore concluded that there are no grounds for proposing a change in present methods of updating police pay.

The figures indicate, however, that superintendents have done rather better out of the Edmund-Davies formula than the other ranks of the police service. Increases in the pay of senior officers (assistant chief constables and above) take account not only of movements in the average earnings index but also of changes elsewhere in the community. This has resulted in the compression of the differential between the pay of assistant chief constables and chief superintendents. The Official Side therefore propose to adjust the balance of the police pay structure by offering the superintendents a lower pay increase this year than they would have received from full indexation.

They also propose to seek to renegotiate the existing method of calculating rent allowance. This is paid to officers who are not given free accommodation and is based on the District Valuer's assessment of the rent which a typical police house would fetch if it were let unfurnished on the open market. The current cost of the existing system is £170 million a year: it has escalated rapidly in the past few years and is likely to continue to do so, especially as more police officers are buying their own homes. The Official Side therefore propose to seek to negotiate the introduction of a new system, based on council house rents, with effect from 1st April 1983. This could produce savings of some £30 million in the first full year and steadily increasing savings thereafter.

/The Official Side

**CONFIDENTIAL**

The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.

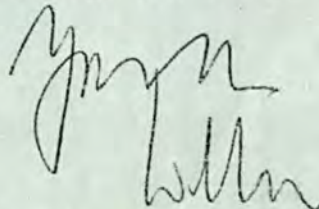
CONFIDENTIAL

The Official Side have also considered police pension contributions. They believe that if police officers were to pay a similar proportion of the value of their pension scheme to that paid by most other public servants their pension contributions would have to rise from the present 7% to about 10%-11%. (This is very much in line with the conclusions of the Official Committee on the Value of Pensions.) They will accordingly seek to negotiate increased contributions.

Although it is impossible to predict with any accuracy what pay increase will be produced this year by the application of the Edmund-Davies formula, current indications are that it is likely to be in the region of 7%-9%. This would cost £60m-£75m in the current year and £100m to £125m in a full year for the police service throughout the United Kingdom. The savings which would be produced by increased pension contributions and a change in the system of determining rent allowance would have the effect of reducing the overall cost, but it is difficult to estimate at this stage how large a reduction can be negotiated. I would propose to give the same assurances to the Official Side as we gave last year about paying the Government's share of the additional cost (over and above the 4% allowed for in the R.S.G. settlement for 1982-83) through police grant and block grant by making any necessary adjustments to the total of relevant expenditure for Rate Support Grant and to the cash limit for block grant. We can also expect the local authority associations to seek indemnification against any penalties for over-spending attributable to these extra police costs.

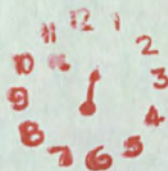
As you know, the Prime Minister recently gave what will be seen as a public commitment to the continuation of the Edmund-Davies arrangements (Hansard 11th March Vol 19 Col 968). I propose therefore to support the line which the Official Side propose to take in this year's police pay negotiations. My officials will of course do all they can to secure reductions in overall costs in the negotiations, though these will not accrue in full until 1983-84. The Official Side will not present their proposals as a package. The position on the main pay formula will be made clear at a meeting of the Police Negotiating Board on 21st April; the Superintendents Association will be put on notice in May about the proposals on their pay; the proposals on rent allowance and pensions will be held back until the end of May. Tactically, I am sure this is right; the Police Federation's annual conference will take place earlier in May and we need to take account of this and of the implications for the selection at the end of the conference of a new Chairman to succeed Mr. Jardine, who is due to retire in the autumn.

Copies of this letter go to George Younger, Jim Prior, Michael Heseltine, Sir Robert Armstrong and Clive Whitmore at No.10.



CONFIDENTIAL

8 APR 1982



*J. Vereker*

*Police*

*NBPM*



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

*29* October 1981

The Rt. Hon. William Whitelaw CH MC MP  
Secretary of State for the Home Department

*Dear Willie*

PAY OF CHIEF POLICE OFFICERS

Thank you for your letter of 13 October about the pay agreement for chief police officers which you have approved. In all the circumstances I agree that this was a reasonable settlement.

I am copying this letter to other members of E and the Secretary of State for Scotland, and to Sir Robert Armstrong.

*[Handwritten signature]*

GEOFFREY HOWE

130 OCT 1987







*ce J Vercher*

*Prime Minister*

*(2)*

*P. S. Lee*

*MUS 16/10*

QUEEN ANNE'S GATE LONDON SW1H 9AT

*13* October 1981

*Dear Jeffrey*

*Well done!  
ms*

PAY OF CHIEF POLICE OFFICERS

As you know, Edmund-Davies recommended that the pay of chief police officers should be updated in accordance with a combination of changes in the index of average earnings during the previous 12 months and changes elsewhere in the community. The 1981 settlement for the more junior ranks, based on the change in the index of average earnings, was 13.2%. Settlements for senior officers in central and local government have included 7% for TSRB grades (which include the Commissioner of Police of the Metropolis) and 9.5% for local government chief executives and chief officers.

2. In the Police Negotiating Board the Staff Side's claim was for a flat-rate increase of £2,100 for chief constables and increases ranging from £2,100 to £2,600 for their deputies (DCCs) and assistants (ACCs) - an overall increase of 12.5%. Negotiations were complicated by the need to prevent any further worsening of the already inadequate differential (£1,098) between the pay of chief superintendents (who had just had an increase of £2,100) and ACCs, and the differential of only £501 between the lowest paid DCCs and the ACCs. The Official Side offered a flat-rate increase of £2,100 for ACCs and lowest-paid DCCs and 7% to all others. The Staff Side agreed to the flat-rate increase but rejected the 7%. Subsequently, informal consultations established that a settlement could be reached at this flat-rate increase and (subject to a minimum increase of £1,850) 7.75% to the others. This added only 0.5% (some £30,000) to the cost of the initial offer. The Official Side regarded it as a suitable basis for a settlement and a formal agreement has now been negotiated.

3. I am satisfied that this agreement is the lowest that could have been negotiated, and I have thought it right to approve it. Damage would have been done both to the credibility of the Board and to police morale if I had overruled it.

4. Copies of this letter go to other members of E and the Secretary of State for Scotland, and to Sir Robert Armstrong.

The Rt Hon Sir Geoffrey Howe, QC, MP.

*John  
Littin*

*Police* *File 55*

MR. GAFFIN

cc. Mr. Lankester  
Mr. Duguid

POLICE PAY

Tim has told me that the Home Secretary intends to make an announcement on Wednesday afternoon about police pay, following negotiations between the Police Federation and the employers. Ministers agreed last week that the Home Secretary would not use his power to overturn the Edmund Davies formula, as a result of which the police award will be 13.2 per cent (the average earnings index for May). This will require careful presentation, which no doubt you will wish to discuss with the Home Office (I shall be away tomorrow) but I would suggest that the following thoughts may be helpful:

- (i) The award is indeed much higher than for most other public service groups, but the police are a very special case. In fact, the award is slightly below the top end of the range that was given to the armed forces.
- (ii) We shall be reviewing the future of the indexation arrangement (this must be subject to Home Office agreement to announce this, but I think it has been agreed that Mr. Whitelaw should do so).

It goes without saying, of course, that we want this award to pass off as quietly as possible.

**L. M. VEREKER**

*Handwritten mark resembling a stylized 'N' or 'L'.*

20 July 1981

CONFIDENTIAL



10 DOWNING STREET

SUBJECT

Police  
copied to  
Master & fine  
Service Pay

no B  
bc Mr Vereker  
Mr Hoskyns  
Mr Wilson  
copy to Scottish Office  
17 July 1981

From the Private Secretary

As you know, the Home Secretary and the Chancellor of the Exchequer called on the Prime Minister this morning to discuss the question of police pay.

The Home Secretary said that he had earlier told colleagues that he had been hoping that it would be possible to reach a settlement for the federated ranks and superintendents somewhat below the 13.2% indicated by the Edmund Davies formula. In the light of recent events, he had concluded that the formula would have to be honoured. Accordingly, he proposed that, at the Police Negotiating Board meeting on 22 July, the Home Office representatives should indicate that the Government had no objection to the 13.2% figure. He intended to discuss with Lord Plowden the arrangements for the 1982 settlement: he wanted to explore ways in which a settlement below the formula might be arrived at in that year. As regards the most senior ranks, a decision on their pay was not needed until September. He believed it would be right to hold their increase down to 7% because, otherwise, their pay would move out of line with that of Chief Executive Officers in local authorities and that of the Commissioner of the Metropolitan Police. He did not think senior ranks would object to being treated in this way.

The Chancellor said that he agreed that the Edmund Davies formula would have to be honoured for this year. But he was glad to hear that the options for moving away from the formula in 1982 were going to be examined. As regards 1981, the Treasury proposed to allow the local authorities a special allowance for the extra cost of the settlement; this would be put to colleagues in the Chief Secretary's paper which would be taken in Cabinet on 23 July.

Summing up this part of the discussion, the Prime Minister said that the Edmund Davies formula for this year should be honoured. The Home Secretary should proceed as he had proposed, including discussing the question of 1982 with Lord Plowden. The presentation of the award would need careful handling: the principal argument should be that the Government was simply honouring the special commitments on police and armed forces pay which had been made at the time of the election. But this aspect should be discussed further at official level between the Home Office, the Treasury and No. 10.

/ Finally,

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CONFIDENTIAL

- 2 -

Finally, the Home Secretary mentioned that the firemen's settlement could very well cause problems for the Government, just as it had done last year. Partly because of the political complexion of the Fire Brigades Union, the local authorities would no doubt be inclined to settle according to the existing formula; and in contrast to police pay, he had no jurisdiction.

The Prime Minister commented that, if there was going to be a high settlement for the firemen, serious consideration should be given to obtaining a no-strike agreement in return. The Chancellor said that officials were looking at the whole question of no-strike agreements; he would ensure that the option of going for such an agreement in respect of the firemen was considered well in time before the firemen's settlement was due.

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

T. P. LANKESTER

J.F. Halliday, Esq.,  
Home Office.

CONFIDENTIAL

CONFIDENTIAL

PRIME MINISTER

*W* c.c. Mr. Duguid

Police Pay

You are seeing the Home Secretary tomorrow morning to discuss police pay.

There are three ways of dealing with police pay this year:-

(i) Hold them to a comparable level (i.e., 6-7%) to other public service groups which have settled within cash limits;

✓ (ii) Accept the recommendation of the Police Negotiating Board on the average earnings index, which is 13.2%;

or

(iii) Offer them some intermediate figure.

The first and second of these ought to be ruled out. The Government's commitment to support the police, especially under present circumstances, would make it very difficult to hold them to a level below the going rate and the rate of inflation. Equally, we cannot possibly start off the new pay round, in which we may be endeavouring to hold the line at around 4%, by announcing in September a 13.2% award for a major public service group. (The fact that this settlement is the end of the present pay round, not the beginning of the next one, will be no better understood this year than it was last.)

The case for an intermediate figure is clear:-

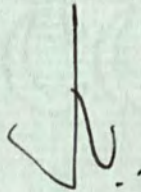
/ (i)

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CONFIDENTIAL

- 2 -

- (i) The closest analogue to the police, the armed forces, got a settlement averaging 10.3%.
- (ii) Even if the intermediate figure were in single figures, the police would still be getting much more than we want the other groups to get in the next pay round, and secondly, more than most public servants got this year.
- (iii) Market factors do not point towards a relative increase in police pay, since they are now almost up to strength.
- (iv) The Home Secretary told E on 2 July that he was prepared to use his authority to set a reasonable level, regardless of the recommendation of the Police Negotiating Board.

16 July, 1981.CONFIDENTIAL

From: THE PRIVATE SECRETARY -



*BF 16/7*

*on Mr. Verdon*

*from Friday 12*

HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

15 July 1981

*Dear Tim,*

POLICE PAY

I promised to send you a background note on police pay to help in briefing the Prime Minister for her meeting with the Home Secretary and the Chancellor of the Exchequer on Friday morning. A note on the lines we agreed is enclosed with this letter.

*Yours ever*

*John Halliday*  
J. F. HALLIDAY

Tim Lankester, Esq.

## BACKGROUND NOTE FOR MEETING ON POLICE PAY: 17 JULY 1981

1. Under section 33 of the Police Act 1964, the Secretary of State determines police pay by means of Police Regulations. Section 2 of the Police Negotiating Board Act 1980, provides, however, that before making such regulations the Secretary of State must take into consideration any recommendation made by the Police Negotiating Board. In practice, police pay is negotiated by the Board, which then submits a recommendation to the Home Secretary. If the Board cannot reach agreement, either side can take the matter to arbitration. The Government decided earlier this year that this arrangement should continue since the police are prevented by law from striking.
2. The Police Negotiating Board consists of an Official Side, composed of representatives of the local authority associations and the Home Departments, and a Staff Side, composed of representatives of the three police staff associations. It has an independent Chairman, Lord Plowden, and an independent Secretariat provided by the Office of Manpower Economics. Since the Home Departments' representatives form a very small minority of the Official Side, their influence is confined to persuasion. The Home Secretary's position is, however, safeguarded by his right to veto agreements of the Board and the results of any arbitration.
3. The Edmund-Davies Report on Police (Cmnd. 7283) recommended that police pay for the federated ranks and Superintendents should be updated annually in the light of movements in the index of average earnings (new series) in the previous 12 months. For the most senior ranks the Committee recommended that pay should be updated in accordance with both changes in the index of average earnings and changes elsewhere in the community.
4. The Police Negotiating Board meets in July each year to negotiate the annual settlement which takes effect from 1 September, and since the May figure of movements in the average earnings index is the latest figure available to the Board, this is the figure used for updating police pay. It produced increases of 13.5% in 1979 and 21.3% in 1980.



CONFIDENTIAL

2.

5. The May figure of movements in the average earnings index will not be available until later this week. The April figure was 14%; the May figure is likely to be somewhere between 13% and 13.5%.

6. The Official Side of the Police Negotiating Board is meeting on 21 July to determine its policy. The Police Negotiating Board itself meets on 22 July. The latest indications are that the local authority associations will wish to keep to the Edmund-Davies formula for the federated ranks and Superintendents.

7. The Edmund-Davies Committee recommended that it should be open to either side of the Police Negotiating Board to propose variations in the updating process in the light of changes either in the police service or in pay movements in the economy as a whole. This is a matter for the Police Negotiating Board and indications are that the local authority associations will wish to review the working of the present formula before next year's negotiations.

Police Department  
Home Office  
14 July 1981


CONFIDENTIAL

175 JUL 1889

1 2 3 4 5 6 7 8 9 10 11 12  
A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

175 JUL 1889





Civil Service Department,  
Whitehall,  
London, SW1A 2AZ

*With the Compliments*  
*of the*  
*Lord President of the Council*

RESTRICTED



*Bice*

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

29 July 1980

The Rt Hon William Whitelaw, CH, MC, MP  
Secretary of State for the Home Department  
50 Queen Anne's Gate  
LONDON SW1H 9AT

*Dear Willie,*

*R3M7*

POLICE PAY

I have seen a copy of your minute of 19 July to the Chancellor.

I accept that special considerations apply to the police service. But I think we should be quite clear that in the forthcoming pay round we should not be looking back to Civil Service pay settlements in the previous round, which were in any case rather smaller than the figure you have in mind. But for this round the percentage figure you talk of is going to be of the order of double what the rest of the public services are likely to get. We ought to be well aware of that. The increase will of course run through to those police forces in the Civil Service and elsewhere whose pay is linked to that of the civil police.

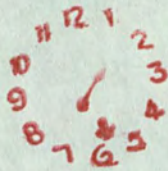
I am copying this to the Prime Minister, the Chancellor of the Exchequer and Sir Robert Armstrong.

*Yours ever  
Christie*

SOAMES

RESTRICTED

30 JUL 1980



CONFIDENTIAL

*catched up*

*Miss*

*2*



QUEEN ANNE'S GATE LONDON SW1H 9AT

19 July 1980

*MW*

*Prime Minister*

*Dear Geoffrey*

POLICE PAY

*The general approach was agreed in E Committee.*

As you know, the Police Negotiating Board is meeting under Lord Plowden's chairmanship on 23 July to negotiate a police pay settlement for 1980, which is due to come into effect on 1 September.

*R*  
*21/7*

When we met on 23 June, we agreed that there was no alternative this year to applying the Edmund Davies formula and basing a settlement for the bulk of the police service on the May/May movement in the index of average earnings (i.e. 21.1 per cent). The cost of this will be about £210M in a full year. At the Negotiating Board meeting my officials will argue the case for some offsetting for improvements in annual leave; but, as you and I know, any such offsetting would be marginal and I do not think we should let disagreement on this point jeopardise the chance of a speedy settlement.

For chief officers, the Edmund-Davies formula requires us to have regard not only to changes in the index of average earnings but also to changes elsewhere in the community. This gives us more room for manoeuvre, and I would hope to obtain an overall settlement which is broadly in line with the recent settlements for similar levels of the Civil Service and Armed Forces. However, agreement on the pay of chief officers is unlikely to be reached at the meeting on 23 July.

I am copying this letter to the Prime Minister, the Lord President, the Secretaries of State for Scotland and Northern Ireland and to Sir Robert Armstrong.

*Yours W  
Willie*

The Rt. Hon. Sir Geoffrey Howe, QC., MP.

21 JUL 1980





MF

Police Ho

10 DOWNING STREET

THE PRIME MINISTER

29 May 1979

Dear Mr. Jardine

Thank you for your letter of 11 May about the implementation of the Edmund-Davies pay recommendations.

It was good of you to write as you did. My Government is firmly committed to the rule of law. I know that the community can look to your members for leadership and support in sustaining it.

Yours sincerely  
Margaret Thatcher

James Jardine, Esq.

tw





10 DOWNING STREET

PRIME MINISTER

You have already seen  
this letter from the Police  
Federation but, on reflection,  
I think you should perhaps reply.  
I attach a draft.

*R.*

25 May 1979



2ffs Police

QUEEN ANNE'S GATE  
LONDON SW1H 9AT

24 May 1979

Thank you for your letter of 14<sup>th</sup> May about the effect of our decision to implement the Edmund-Davies recommendations in full with effect from 1st May on the police forces which were not covered by the Edmund-Davies inquiry.

I recognise that this decision will increase the pressure for action on behalf of these forces, but I agree that, with the Wright Committee so close to completing its task, its report should be awaited before any action is taken.

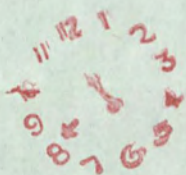
I am sending copies of this letter to the recipients of yours.

R

W. Whitelaw

The Rt. Hon. Lord Soames

24 MAY 1979



From: THE PRIVATE SECRETARY



HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

23 May 1979

Dear Tim

R

In your letter of 18th May you asked for a draft reply to the letter of 11th May from the Chairman of the Police Federation expressing appreciation at the implementation of the full Edmund-Davies pay recommendations.

Mr. Jardine wrote in the same terms to the Home Secretary. I enclose a copy of the Home Secretary's acknowledgement. It would seem sufficient for the Prime Minister to respond in similar terms. I enclose a draft acknowledgement accordingly.

Yours sincerely

Tony Butler

A.J. BUTLER

Tim Lankester, Esq.



QUEEN ANNE'S GATE LONDON SW1H 9AT

23

May 1979

cc Miss Dews  
Mr Whalley  
Mr Andrew  
Mr Heaton  
Mr Fries  
Mr Grant

Dear Mr Jardine

I am just writing to thank you for your letter of 11 May and to say how much I appreciate the remarks it contains.

I look forward to enjoying your co-operation in tackling the challenges ahead.

Yours sincerely  
William Whitelaw

James Jardine Esq

DRAFT LETTER

ADDRESSEE'S REFERENCE .....

TO	ENCLOSURES	COPIES TO BE SENT TO
James Jardine Esq Police Federation of England and Wales 15-17 Langley Road Surbiton SURREY KT6 6LP  (FULL POSTAL ADDRESS)		          (FULL ADDRESSES, IF NECESSARY)

LETTER DRAFTED FOR SIGNATURE BY .....Prime Minister.....  
 (NAME OF SIGNATORY)

Thank you for your letter of 11 May about the  
 implementation of the Edmund-Davies pay recommendations.

It was good of you to write as you did. My Government  
 is firmly committed to the rule of law. I know that  
 the community can look to your members for leadership  
 and support in sustaining it.



WITH  
THE COMPLIMENTS OF THE  
PRIVATE SECRETARY

MINISTRY OF DEFENCE, WHITEHALL

Telephone: 01-218 9000  
01 218

Police



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 8000  
DIRECT DIALLING 01-218.....2111/3

*Rmt*

D/S of S 103/79

22nd May 1979

Hidden copies to:

PS/Lord President  
~~PS/Prime Minister~~ (your  
letter of 16th May refer

*Dear Mr McCafferty,*

Thank you for sending me a copy of your letter of 11th May addressed to the Prime Minister about the pay of the Ministry of Defence Police. The Prime Minister has asked me to reply.

I am already aware of the difficulties we are encountering in the Force, through poor recruitment and increasing wastage; and I agree with you that it is most important to settle new rates of pay as quickly as possible. Since, as you know, the pay negotiations are conducted by the Civil Service Department, I am copying this letter and yours of 11th May to the Lord President of the Council, Lord Soames, who will, I am sure, wish to consider the points which you have made.

*Yours sincerely  
Francis Pym*

Francis Pym

J T C McCafferty Esq





ACK  
19/5

**DEFENCE  
POLICE  
FEDERATION**

604

Room 133, Turnstile House  
Ministry of Defence  
High Holborn  
London WC1

Telephone : Chairman 01 430 5373 5059/5098  
Secretary 01 430 5174 5345  
Ansafone 01 430 5247 5345

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

Your Reference

Our Reference

DPF/GS/3/4/79

Date

11 May 1979 *RL*

Dear Prime Minister,

We have followed with great interest the policies contained within your Manifesto leading up to the election of your Government earlier in the month from which two major policies are of extreme concern to this Federation ie Law and Order and Defence.

The previous Government you will recall, set up the Edmund Davies Committee, which recommended for the Police service substantial pay increases. The Government of the day decided that the outcome of the Edmund Davies Recommendations should be phased, but nevertheless, we were delighted to see that your Government has honoured the pledge by implementing the remainder 20% with effect from 1 May 1979.

If you have not already been made aware, I wish to draw to your attention that following the Edmund Davies recommendations the last Government decided the non-Home Department Forces should be subjected to a similar Review which I might add, was not taken lightly by the membership of the Ministry of Defence Police insofar that we had undergone a similar examination only some four years previous ie 1974, the outcome of which gave us the same rates of Pay and Conditions of Service as our colleagues in the Home Department Forces.

The Ministry of Defence Police you will be aware is the only Government Police Force outside the Home Department with a membership of 4,000 plus and who have their own Minister in Parliament (the Right Honourable Francis Pym to whom this is copied) and who is responsible for the Force together with the Defence Council and your Government.

Resulting from the Edmund Davies recommendations and your Government's subsequent decision to implement the Edmund Davies findings in full, this has now placed the members of this Force some 40% odd in salary behind that of their colleagues in the Home Department Forces.

Needless to say since the implementation of the Edmund Davies rates of pay, the Ministry of Defence Police had been faced with a gross unacceptable loss of manpower which is currently running at 15% in the rank of Constable alone. As a result of this you will be aware of the consequences that this has on our recruitment and maintaining existing ranks within the Force.

Bearing in mind your Government's policies on Law and Order and in particular Defence, one shudders to think what implications will arise particularly in respect of Defence and the security of our installations should we not be awarded the full rates of pay as was awarded to the Home Department Forces.

You will understand that in line with all other non-Home Department Police Forces, the Ministry of Defence Police is at the moment being subject to an independent enquiry under the chairmanship of Eric Wright who it is hoped will be reporting in the very near future.

If your Government holds the view that "Police" (and I cannot be seen to be representing other non-Home Department Forces) should be paid to maintain Law and Order!, if it is your Government's decision to strengthen our Defences, then it must follow that your own Police Force, who are responsible for such matters in major Strategic Defence Establishments, be awarded the same rates of Pay and such Allowances as afforded to the Home Department Forces.

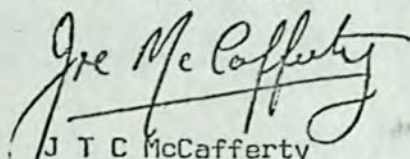
We have from previous Government Ministers received replies to our letters of concern, requesting us to await the outcome of the Wright Committee findings. Such replies have in no way assisted in maintaining the level of recruitment into the Force, or assisted in the retention of the current serving members which has since been further aggravated by the recent 20% award. Some 9 months have now passed since our review date of 1 September 1978 and we are rapidly approaching our anniversary date of 1 September 1979 without any foreseeable conclusion to the Wright Committee's findings on our Force. The Committee you will be aware were given no conclusion date by the previous Government, neither did the previous Government give any form of undertaking that they would honour the outcome of the Committee's findings or that they would be implemented in full.

In order for your Government to maintain the level of security coverage at many of your highly classified establishments and in the interest of National Security, we feel that it is of extreme importance that the question of the pay of the Ministry of Defence Police should be placed high in your Government's priorities to ensure that members of the Ministry of Defence Police are paid the Police rates of Pay and Conditions of Service. Failure to act quickly in this matter, will undoubtedly result in mass exodus from one of your Police Services, thereby placing the security of the nation in jeopardy.

Although maybe a little premature, it would greatly help to halt the exodus of members leaving the Force to join Home Department Forces and other various forms of employment where the remuneration is greater, if we could be informed of when the Committee is likely to report to the Government on its findings, and of your policies in respect of maintaining a viable Force ie the Ministry of Defence Police Force, for the purpose of maintaining the level of security which your Government requires for Defence Establishments and whether your Government will undertake to accept and implement the findings of the Wright Committee without phasing.

I enclose the latest Circular which has been sent to our membership by our Chairman which I hope you will find of some interest.

Yours sincerely

  
J T C McCafferty  
General Secretary

Copy to: 22.5.79  
The Lord Soames, Lord  
President of the Council

Copy to: Rt Hon Francis Pym



**DEFENCE  
POLICE  
FEDERATION**

Room 13a, Turnstile House  
Ministry of Defence  
High Holborn  
London WC1

Telephone: Chairman 01 430 5373 5059/5098  
Secretary 01 430 5474 5345  
Ansafone 01 430 5277

Your Reference

CIRCULAR

To : All Members

Our Reference

DPF/CH/33/3/79

Date  
11 May 1979

Dear Colleagues  
PAY AND THE MINISTRY OF DEFENCE POLICE

On the morning of Friday 6 May 1979, Mrs Margaret Thatcher MP became our Prime Minister. Among many of her major policies was that of Law and Order and Defence, two vital matters not unconnected to the Ministry of Defence and Police. On the same historical day a Force Order dated 2 May 1979 which included Order 188/79 arrived on my desk. Both these events were not unconnected. I have been reminded of the connection by numerous telephone calls and letters. The theme of my correspondence is, is the lady aware that while she was forcibly following her campaign on those two most important and essential national commitments, the very fabric of defence and security is being eroded by the gross acts of irresponsibility on the part of her predecessors in Cabinet towards the Ministry of Defence Police and its Pay problems? Often repeated to me are the words I used when confronting Mr Charles Morris MP, the then Minister of State for the Civil Service Department as far back as 13 September 1978. My words were, "I am not prepared in any way to assist you or your Government in prolonging this scandalous treatment of my members. My advice to you is the same I believe as that once given by a Prince, "Get your finger out and get this thing over with". It is the nation's security, your Government's security, mine, your children's, your wife's safety you are playing with. Do not renegue on our agreement, it would be far too dangerous".

I am sorry to say, that warning fell on deaf ears. A pity, because I now firmly believe that my warning has become almost a reality which brings me to Force Order 188/79 "Resignations".

What a sordid reflection on the people responsible who have known about our manning problems for so long and which is currently running at 15% below the required numbers in the rank of constable. We acquainted Lord Peart, the then Lord Privy Seal with the details way back in February this year and once again nothing but apologies and platitudes and Rome still burns.

The honouring yesterday by Her Majesty's Government of their pledge to the Home Department Police Forces on pay is bound to have repercussions within our Force causing the exasperation of an already tense and incredible situation.

No one has shown greater loyalty or patience and no one has been rewarded by such disregard and effrontery as this Force. Next week I shall be attending the Annual Conference of the Police Federation of England and Wales together with the General Secretary as fraternal delegates and the present Home Secretary will be there.

On our return a meeting of the General Purposes Committee will be convened and if nothing has been heard from our Paymasters by that time the General Purposes Committee will have to give serious thought as to the actions it will recommend to bring about justice for our members.

#### REVIEW OF PROTECTION

Some members are showing signs of despair at yet another Committee to pry into the affairs of the Ministry of Defence Police.

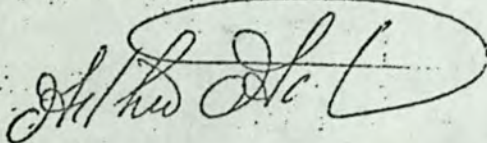
Whether we like it or not, Committees such as those referred to in Force Orders, have in one guise or another, been part of our scene ever since I can remember. Whether it has been the I of E, Fair Value, Defence Cuts, Service Boards, the terms of reference have invariably had the same objectives and it would be wrong for any member of the Force to believe that this kind of thing only happens to the Ministry of Defence Police. It does not! It is normal practice in the public sector of employment.

Whether there is a need for apprehension over this latest Committee, depends on what the new Government policy is to be on defence and how much stress they put on protecting the nation's defence establishments. If anybody believes that the Ministry of Defence Police is going to disappear from the face of the earth, I can reassure them that this is not to be the case.

The Federation itself by the very nature of its aims for better conditions, more advantageous retirement policy, equal pay recognition as a police force, was bound to have the effect of causing our Paymasters to have a closer look at us.

I do not believe there is one among us who would want to revert to the old days of bad pay and conditions and ridicule from other sources just because we are afraid of having ourselves looked at.

Yours sincerely



A.T. Aitchison  
Chairman

22 MAY 1979





MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MO 4/4/3A

22nd May 1979

Dear Christopher,

Thank you for copying to me your letter of 14th May to Willie Whitelaw, about the pay of the non-Home Department Police.

The Ministry of Defence Police is the largest of the forces under consideration, and I feel that colleagues would wish to be aware of the anxiety which has been expressed to me about the effects of the continuing delay in settlement.

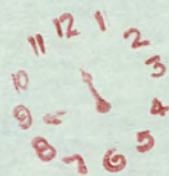
The Force is at present over 14% below its complement, and since September last there has been a significant and increasing rate of resignation particularly by younger and better qualified officers, many of whom have left to join Home Department forces where the Edmund-Davies rates are being paid. The Force already has a preponderance of older men, and the effects of lost recruitment and increased wastage are exacerbating an already difficult situation. Indeed, the Chief Constable has expressed his concern that lasting damage to manpower and morale may already have been sustained.

I fully agree that, at this stage of the Wright Committee's deliberations it would be unwise to take any action beyond what you have proposed. I hope, however, that the Police representative bodies of the non-Home Department Forces can now be informed of our determination to achieve a very early settlement, and that there will be no delay in putting the Committee of Inquiry's findings to them as soon as these are available.

I am copying this to the recipients of your letter.

*Francis Pym*  
Francis Pym

22 MAY 1979





10 DOWNING STREET

*From the Private Secretary*

18 May 1979

The Prime Minister has received the enclosed letter from the Secretary of the Police Federation. I would be grateful if you could let me have a draft letter for her to send in reply. Could this be with me by Thursday, 24 May, please?

TPL

J.A. Chilcot, Esq.,  
Home Office.

BF 29/5/79

JS

Police





cc Police May '79  
Public Sector Police Forces

~~XXXXXXXXXXXX~~

WHITEHALL, LONDON SW1A 2AT

14 May 1979

The Rt Hon William Whitelaw CH, MC, MP  
Secretary of State  
Home Department  
Queen Anne's Gate  
LONDON SW1

Dear Willie,

POLICE PAY

Thank you for sending me a copy of your minute to the Chancellor of the Exchequer of 8 May about the payment of the second stage of the Edmund-Davies recommended pay increase, with effect from 1 May.

There are a number of other public sector Police Forces, of which the Ministry of Defence Police and the British Transport Authority Police are the largest, whose pay prior to the Edmund-Davies Report had been linked either directly or indirectly with that of the Civil Police, and the previous Government set up a small Inquiry under Mr Eric Wright to examine the relevance of the Edmund-Davies Committee's recommendations on the pay and conditions of service and responsibilities of these public sector Police Forces and to recommend for each of them what the appropriate pay relativity should be with the Home Departments' Forces.

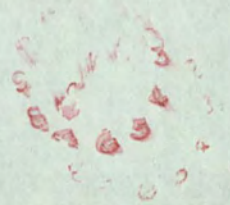
The announcement of the immediate payment of the second instalment to the Home Department Police Forces will increase the pressure on us to do something for these other Police Forces who have only so far been offered an interim increase of 5% from 1 September 1978. However, my officials have discussed the position with the Chairman of the Inquiry who has undertaken to produce his Report early in June and I therefore consider that we should await the Report before taking any action, but promise to give its consideration priority.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Defence, Employment, the Environment, Scotland, Northern Ireland and Trade, the Minister of Transport and Sir John Hunt.

Yours ever

Christopher

15 MAY 1979



15



**Police Federation** OF ENGLAND AND WALES

15-17 Langley Road Surbiton Surrey KT6 6LP Tel: 01-399 2224 (4 Lines)

Established by Act of Parliament



Our Ref: JTJ/MF

11th May, 1979

Your Ref:

R12

The Rt.Hon.Margaret Thatcher, M.P.,  
Prime Minister,  
House of Commons,  
Westminster,  
London, S.W.1.

Prime Minister

To note.

R

14/5

Dear Prime Minister

I am writing on behalf of all my colleagues in the Police Federation to express our deep appreciation of the speedy fulfilment of your pledge to pay the full Edmund Davies pay award as soon as it was within your power to do so.

This gesture will do much to strengthen the already high determination of all members of the Police Service to work with the new Government in a concerted attack upon the grave problems of crime which confront our nation. You may be assured of the full co-operation of the British police in all measures which are taken towards that end.

Yours sincerely

James Gardner

ans.

PRIME MINISTERCabinet

This is the first formal Cabinet meeting of your Administration. It would be appropriate, therefore, to take note of and record the conclusions reached at the informal meeting of Cabinet Ministers on Tuesday afternoon, on a small miscellany of issues as follows:

a. Police Pay - Ministers agreed that the Government's decision on police pay was to be announced forthwith and the Home Secretary, in consultation with the Chancellor of the Exchequer, was to arrange this. The question was raised whether the cost of this settlement should be met in the Rate Support Grant or whether it should be met in full. You indicated that it should be met in full for the police but certainly not - at this stage - for the teachers. (The Treasury may well want to come back and argue that the police pay award should be funded only on the normal RSG basis, i.e. 61% from Exchequer funds; a note on this issue is at Flag A). The text of the Home Office announcement on police pay is below.

b. Armed Forces Pay -

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

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

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

c. Devolution - Ministers confirmed their commitment to all-party talks on further devolution of government to Scotland and they also confirmed their intention to repeal the Scotland and Wales Devolution Acts. Ministers were clear that the Government has no commitment to an elected Assembly for Scotland but they did wish to consider further the suggestion that a Select Committee of the Commons should sit in Scotland, although they recognised that this had implications for the business of the Westminster Parliament. The Secretary of State for Scotland, in consultation with the Chancellor of the Duchy of Lancaster, was asked to prepare urgently a paper on these issues for consideration initially by the Home Affairs Committee (H) under the Home Secretary's chairmanship.

d. Reduction in Government Circulars - Ministers agreed that they should set themselves a target of reducing Government circulars by two-thirds and you asked all of them to act promptly in their Departments to secure this objective. It was also suggested that Departments should adopt for circulars the existing practice with regard to Bills of setting out the cost in manpower and money. After the Cabinet meeting, you asked the Head of the Civil Service to monitor progress on this and to let you have a first report in four weeks time.

(e) Freeze on

The Lord President has now indicated you suggesting that the paper comes to Cabinet - see flag DE.

(e) Freeze on Civil Service Manpower - Ministers agreed that it was essential to institute immediately a freeze on the recruitment to the Civil Service for a period; they recognised, however, that there would necessarily have to be certain exceptions from the freeze in specific areas but these exceptions could only be made with the approval of the Departmental Ministers concerned. During this period of freeze, Ministers would undertake an urgent examination of functions to secure reductions in the Civil Service manpower requirement so that it was brought within the limits imposed by the freeze and ultimately much lower. The Lord President, as Minister in charge of the Civil Service on behalf of the Prime Minister, was asked to consult the Head of the Civil Service urgently and to prepare a paper setting out a policy on these lines for Ministerial decision.

f. Comparability Commission - Ministers considered the status and function of the Standing Commission on Comparability and questioned whether, leaving aside the question of whether it should continue at all, its terms of reference and membership were appropriate. You subsequently commissioned an analysis for this purpose from the Cabinet Office.

← ||

g. Price Commission - The Secretary of State for Trade referred to a minute he had sent you seeking agreement to immediate abolition of the Price Commission. You directed that the Government should not take precipitate decisions of this nature but advised that he should immediately see whether it would be appropriate, using such powers as he had, to put a stop to any current investigations where this seemed desirable.

←

h. Pay Negotiations (Department of Energy) - The Secretary of State for Energy sought advice on whether he should act independently in dealing with issues relating to pay arising

/in the fields

in the fields for which he was responsible or whether he should seek collective consideration by colleagues. You directed that Ministers should stand back from these negotiations, should not engage the Government in collective consideration of them, and that the Secretary of State, insofar as it was necessary for him to become involved at all, should take responsibility for giving guidance to the Nationalised Board concerned, in bilateral consultation with colleagues most closely concerned.

h. Cabinet Confidences, Responsibility, Diaries, etc. - You wished to deal with this separately at the conclusion of this first Cabinet meeting. A speaking note prepared by the Cabinet Office which can be recorded more or less verbatim in minutes, is in the folder for the last item.

KRS.

Notes

papers

- papers  
minutes  
minutes

9 May 1979

Ref: A09520

Copy No.

*copy on: Defence,  
Armed Forces Pay,  
May '79.**12*PRIME MINISTERCABINET : POLICE AND ARMED FORCES PAY

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

## BACKGROUND

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

## HANDLING

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

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

/and



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

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

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

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

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

#### CONCLUSIONS

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

/a.

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

JOHN HUNT.

9 May 1979



# Home Office

## NEWS RELEASE

50 Queen Anne's Gate London SW1H 9AT  
Telephone 01-213 3030/4050/5050

213 3000 (night line)

May 9, 1979

### POLICE PAY

The Government is committed to implement in full the Edmund-Davies pay award for the police. The Home Secretary is accordingly arranging for the immediate payment of the second stage of the award. Following discussions with representatives of the police authorities and police service today, the necessary regulations will be introduced into Parliament as soon as possible.

The Home Secretary, the Rt Hon William Whitelaw MP, said: "By this action the Government has demonstrated very clearly its support for the police and their role in society.

The police, in their turn, can be expected to maintain the highest standards of conduct and efficiency and to give a total dedication to maintaining a peaceable and orderly society".

### Note to Editors

The Edmund-Davies report on police pay (Cmnd 7283), published in July 1978, recommended substantial increases, ranging from 30% to 45%, in the pay of all ranks of the police service. A special allowance of £650 a year was recommended for the Metropolitan Police.

The previous Government accepted these recommendations but decided on implementation in two equal instalments - September 1978 and September 1979. The new Government's decision brings forward the second instalment of the police pay award from September 1 to May 1.

The basic pay of a police constable will now be £3600 on joining (£4300 if he is 22 years old) rising to £5700 after 15 years' service. The basic pay of sergeants will be £5450 to £6250. London police will receive an additional £969 a year. (This includes £319 London weighting.)



10 DOWNING STREET

From the Principal Private Secretary

8 May 1979

Dear John.

Police Pay

The Home Secretary raised at the informal meeting of Cabinet Ministers this afternoon, the question of announcing the Government's decision on police pay. The Prime Minister approved Mr. Whitelaw's proposal that this should be announced tomorrow and she would be grateful if he, in consultation with the Chancellor of the Exchequer, would arrange for this to be done.

The question was also raised whether the decision on the Armed Services should be announced concurrently with that of the police: it was pointed out that this entailed consideration of the TSRB Report since the pay of the highest-ranking officers, along with Judges, senior civil servants, etc. was dealt with separately from the rest of the Armed Services. The Prime Minister indicated after the Cabinet meeting that while she recognised the force of this, she hoped that the Armed Forces pay could still be dealt with quickly and she would welcome urgent proposals from the Secretary of State for Defence and other colleagues concerned for bringing the matter to a conclusion.

The question was also raised on the extent to which the cost of the police settlement would be met in the Rate Support Grant. The Prime Minister indicated that it should be met in full for the police but not - certainly at this stage - for the teachers.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Defence, the Lord Chancellor, the Lord President, the Secretaries of State for Industry, Energy, Trade, Environment, the Minister of Transport, and to Sir Ian Bancroft.

cc DES.

Yours  
Ken Stone

John Chilcot, Esq.,  
Home Office.

CONFIDENTIAL



CHANCELLOR OF THE EXCHEQUER

POLICE PAY

One of our Election Manifesto commitments is "to implement in full the recommendation of the Edmund-Davies Committee". The Committee recommended a pay increase for the police of nearly 40% from September 1978, which our predecessors decided to pay in two instalments, in September 1978 and September 1979. It is arguable that we should back-date the second instalment to September 1978, but I believe that it would suffice to pay it from a current date - say 1 May. The extra cost of this, compared with payment in September, will be about £50M for the United Kingdom, which will be a charge on the Contingency Reserve.

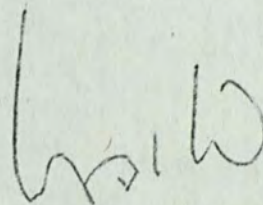
I see advantage in announcing as soon as possible that we are going to make this payment. The Police Federation are already asking what our intentions are and we must respond before their annual conference next week. I should like if possible to make the announcement on the evening of Wednesday, 9 May.

Under present arrangements (except in Northern Ireland) some 39% of the bill will fall to be met by the local authorities. Since the decision is a unilateral one taken by central government, they may press us to meet the whole of the additional expenditure. We could not go as far as that. The present cash limit on the rate support grant reflects the Government's share of the pay award. We shall need to assure the local authorities that the cash limit will be adjusted to meet the Government's share of the new phasing.

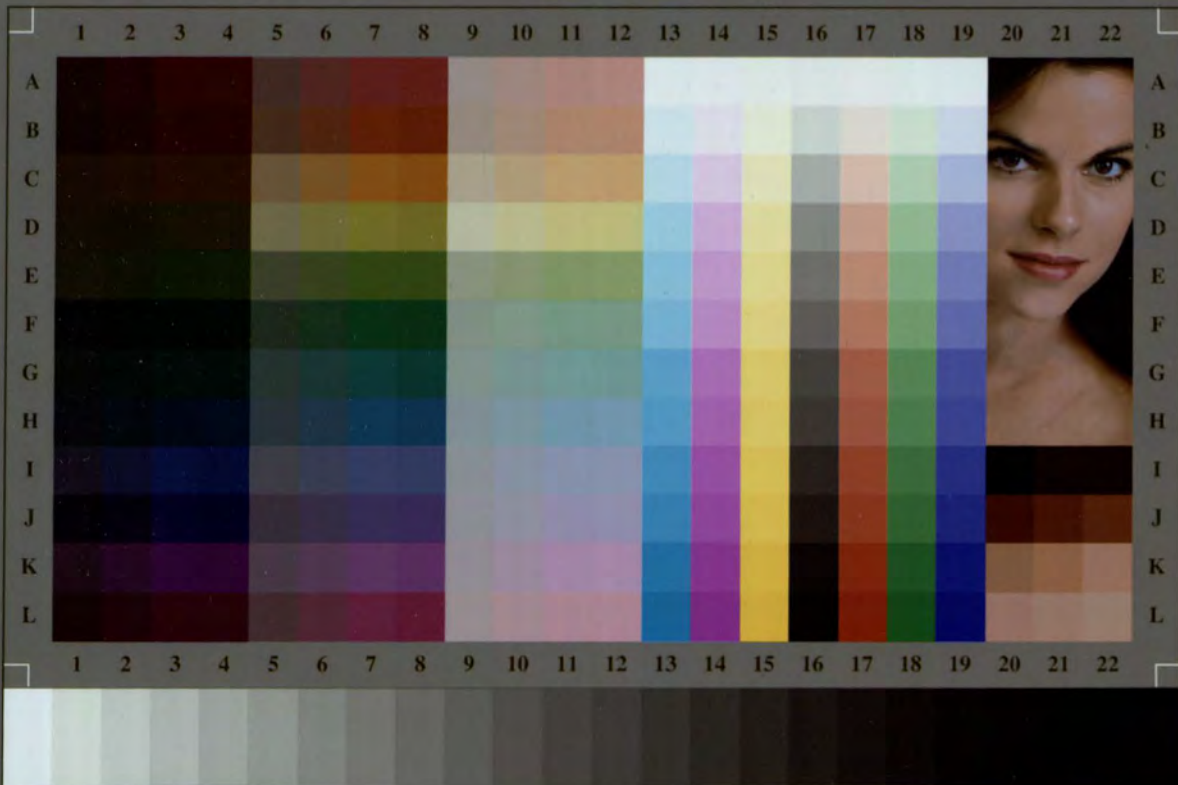
I was extremely grateful to you for agreeing, when I raised this in Cabinet this afternoon, that I should go ahead on this basis. I am sure we are right to honour this commitment in this way, without delay, the sooner the better.

I now propose to speak on these lines to the Chairmen of the Local Authority Associations tomorrow afternoon, to inform the Police Federation and then to make an announcement tomorrow evening. The Secretaries of State for Scotland and Northern Ireland may wish to consider taking corresponding action.

I am copying this minute to the Prime Minister, the Lord President and the Secretaries of State for Defence, Employment, the Environment, Scotland and Northern Ireland, and to Sir John Hunt.



8 May 1979



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