

PREM 19/2952

SECRET

Confidential Filings

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

ECONOMIC POLICY.

Part 1: May 1979.

Policy Towards the next round of Review Body Reports.

Jan 8.

Part 10 ~~1989~~ 1989.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4.1.89							
12.1.89							
13.2.89							
16.2.89							
17.6.89							
21.12.89							
12.1.90							
17.1.90							
18.1.90							
31.1.90							

PREM 19/2952

PART 10
ENDS

● PART 10 ends:-

PG to PM 31-1-90

PART 11 begins:-

MUT to Lab office 1-2-90

PRIME MINISTER

CABINET: REVIEW BODY REPORTS AND TEACHERS PAY

The Cabinet Office paper reflecting decisions reached earlier this week is below. Attached to it are drafts of tomorrow's Written Answers by you on the Review Bodies and by John MacGregor on teachers' pay.

You will presumably wish to keep discussion at Cabinet fairly brief. You might start by stressing that the proposals have been agreed with all those directly concerned, and explain the basic approach of the 7 per cent initial awards (except for the TSRB) staging until 1 January 1991, and an overall pay bill cost just below 8 per cent. You could then ask the Chancellor to speak, followed by Messrs. Clarke, MacGregor and King.

The key points to settle are:

- agreement on the package
- the precise terms of the Written Answers at Annexes A and B to the paper;
- ensure that the briefing - both official and Party - is going to be circulated in good time for the afternoon. (The Treasury are co-ordinating.)

Prcc6.

PAUL GRAY

31 January 1990

c:\wpdocs\economic\cab

(slh)

PRIME MINISTER

LETTERS TO REVIEW BODY CHAIRMEN

In line with normal practice we will deliver your letters to the Review Body Chairmen early tomorrow afternoon, shortly before the announcement. I attach four letters for your signature, which reflect the general line on staging which we discussed this afternoon which is also being included in the PQ answer.

Content to sign?

Paul

PAUL GRAY

31 January 1990





EL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

SIR ROBIN BUTLER

LETTER TO THE CHAIRMAN OF THE REVIEW BODY ON
TOP SALARIES

Thank you for your minute enclosing a draft reply to Sir David Nickson. I enclose a revised draft which is going to the Prime Minister for signature this evening. It reflects the general line also being adopted in the other Review Body replies. I should be grateful for confirmation by 10 am tomorrow, 1 February, that you are content with this reply.

I am copying this minute to Mr. Gieve (H.M. Treasury).

PAUL GRAY

31 January 1990



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

MS

Thank you for your letter of 25 January and for the thirteenth report of the Review Body on Top Salaries. I am once again most grateful for all the time and effort that you have put into the work; please pass on my thanks to the other members.

We have given careful consideration to all your recommendations, and to the concerns which led you to make them. I am announcing today that we have accepted all your recommendations. However, the Government considers that, if they were implemented in full from 1 April, the overall pay costs in 1990-91 would be too high. The Government has therefore decided, in line with the approach being adopted for the other Review Body Groups and for teachers, to stage the payment of the recommendations. All groups covered by your Review Body will receive an increase of 6 per cent from 1 April 1990 with the remaining 1 per cent from 1 January 1991. In addition, for senior civil servants the abolition of the fixed scale increases for Grade 2s and 3s will take effect from 1 April 1990; the increases in the London Allowances for Grade 3s, and the consequential increases for Grade 2, will take effect from 1 January 1991; and the new performance pay schemes for Grades 2 and 3 will be introduced from 1 April 1991. For two and three-star officers, the additional increases of 2.75 per cent will take effect from 1 January 1991. For judges, the extra increase of 10 per cent recommended for those in groups 5

to 7 will be staged with payments on 1 January 1991, 1 August 1991 and 1 April 1992.

I welcome your suggestion for further discussions with the Government about the salaries of those covered by the remit of your Review Body and I agree that these should take place in good time before you undertake your next review.

Sir David Nickson, KBE, DL.

Draft of 31 January 1990 (nickson.pm/DW)

DRAFT LETTER FROM THE PRIME MINISTER TO SIR DAVID NICKSON KBE ^{DL}

to your letter of 25 January and to
 I am writing to thank you, and, through you, your colleagues ~~of~~ on the Review Body on Top Salaries, for your thirteenth report ~~and its recommendations.~~ I am once again most grateful for all the time and effort that you have put into the work; *please pass on my thanks to the other members.*

We have given careful consideration to all your recommendations, and to the concerns which led you to make them. ~~I have announced today that the Government has decided to accept them all, but, in the light of present circumstances, to stage the implementation of some of them.~~ All groups covered by your Review Body will receive an increase of 6 per cent from 1 April 1990 with the remaining 1 per cent from 1 January 1991. In addition, for senior civil servants the abolition of the fixed scale increases for Grade 2s and 3s will take effect from 1 April 1990; the increases in the London Allowances for Grade 3s, and the consequential increases for Grade 2, will take effect from 1 January 1991; and the new performance pay scheme for Grades 2 and 3 will be introduced from 1 April 1991. For two and three-star officers, the additional increases of 2.75% will take effect from 1 January 1991. For judges, the extra increase of 10% recommended for those in groups 5 to 7 will be staged with payments on 1 January 1991, 1 August 1991 and 1 April 1992.

I welcome your suggestion for further discussions with the Government about the salaries of those covered by the remit of your Review Body and I agree that these should take place in good time before you undertake your next review.

I am announcing today that we have accepted all your recommendations. However, the Government considers that, if they were implemented in full from 1 April, the overall pay costs in 1990-91 would be too high. The Government has therefore decided, in line with

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the approach being adopted for the other Review Body Groups and for teachers, to stage the payment of the recommendations.

Mr. Wilson

MPM



9. Economic
Pay

10 DOWNING STREET

With the compliments of

Paul Gray,

Paul is in a meeting and
has asked if you would
kindly cast your eye over
this.



32(a-b)

10 DOWNING STREET

LONDON SW1A 2AA

30 January 1990

From the Private Secretary

PAY REVIEW BODIES AND INTERIM ADVISORY COMMITTEE
ON TEACHERS' PAY

The Prime Minister held a meeting this morning to discuss the 1990 reports of the Pay Review Bodies and the expected recommendations of the Interim Advisory Committee on teachers' pay. Those present were the Lord President, the Lord Chancellor, the Chancellor of the Exchequer, Secretaries of State for Wales, Employment, Education and Science, Health and Scotland, the Chancellor of the Duchy of Lancaster, the Chief Secretary, the Chief Whip, the Minister of State, Privy Council Office, and Sir Robin Butler, Mr. Wilson and Mr. Monger (Cabinet Office). The papers before the meeting were the Cabinet Office paper dated 29 January and the Pay Review Body reports and the minute from the Secretary of State for Education and Science, on the report of the IAC, also dated 29 January.

Summing up the discussion the Prime Minister said that the group were agreed that, assuming the IAC put forward proposals on the basis indicated, the following recommendations should be put to Cabinet:

- i) in general the recommendations of the Review Bodies and the IAC should not be abated. However the DDRB recommendations which the Government had rejected last year on extra increases at the top of the consultants' scale and the ~~spines~~ of A+ awards for consultants, and which the Review Body had ~~represented~~ this year, should again be rejected;
- ii) in view of the worryingly high level of the recommendations of the Review Bodies and the IAC it was essential for the awards to be staged. The general approach should be to implement pay increases of 7 per cent from 1 April 1990 with the remainder of the increases, including the "add ons" from 1 January 1991;
- iii) the additional payments for student nurses should be paid with effect from 1 April 1990 in addition to the increase of 7 per cent paid from that date. Both nurses and the Professions Allied to Medicine (PAM) should also be paid the recommended changes in London pay from that date;

X size
X repeated

✓

✓

b

- iv) the staging for the TSRB groups should follow the 6 per cent option in Annex B of the Cabinet Office paper;
- v) the second and third instalments of the recommended additional 10 per cent for judges in Grades 5-7 should be paid on 1 August 1991 and 1 April 1992, so that the staging would be completed by the final date envisaged by the Review Body.
- vi) the award for teachers should be staged on the basis of the Secretary of State for Education and Science's preferred approach set out in paragraph 16 of his minute;
- vii) the Government's decision should be published on the afternoon of 1 February with parallel announcements by the Prime Minister on the Review Bodies and the Secretary of State for Education and Science on teachers' pay and conditions, *both by way of written answer.*

Continuing, the Prime Minister said it was agreed that the detailed financing implications would need to be settled with Treasury Ministers. However it was agreed that, in relation to the excess costs falling on the hospital and community health services there should be a contribution of £35 million for England (£44 million for the UK) from the health authority costs improvement programmes; and as regards the costs falling on the Family Practitioner Services ~~£35~~ million in England (£41 million for the UK) which was provided for related primary care development should go towards the cost of the award. It was further agreed that careful consideration would need to be given to the presentation of the Government's conclusions, in relation to the percentage costs in the overall bill costs for 1990-91, *taking ~~costs~~ together all the Review Bodies and IAG groups as a whole.*

33.5

increase

full?

?

Treasury Ministers would co-ordinate the preparation of briefing immediately, and it was important that this should emphasise both that the further awards were being implemented from 1 January 1991 and that many of the people affected by the awards would also receive the benefit of increases in annual increments.

I am sending copies of this letter to the Private Secretaries to those who attended the meeting and to Stephen Leach (Northern Ireland Office).

(PAUL GRAY)

John Gieve, Esq.,
HM Treasury.

that in general the increases recommended by the Review Bodies would be in response by the end of 1990-1



31(a-b)

File
MFCM

CC to Teachers
Pay.

10 DOWNING STREET
LONDON SW1A 2AA

30 January 1990

From the Private Secretary

Dear Tom

PAY REVIEW BODIES AND INTERIM ADVISORY COMMITTEE
ON TEACHERS' PAY

The Prime Minister held a meeting this morning to discuss the 1990 reports of the Pay Review Bodies and the expected recommendations of the Interim Advisory Committee on teachers' pay. Those present were the Lord President, the Lord Chancellor, the Chancellor of the Exchequer, Secretaries of State for Wales, Employment, Education and Science, Health and Scotland, the Chancellor of the Duchy of Lancaster, the Chief Secretary, the Chief Whip, the Minister of State for the Armed Forces, the Minister of State, Privy Council Office, and Sir Robin Butler, Mr. Wilson and Mr. Monger (Cabinet Office). The papers before the meeting were the Cabinet Office paper dated 29 January on the Pay Review Body reports, and the minute from the Secretary of State for Education and Science on the report of the IAC also dated 29 January.

Summing up the discussion the Prime Minister said that the group were agreed that, assuming the IAC put forward proposals on the basis indicated, the following recommendations should be put to Cabinet:

- i) in general the recommendations of the Review Bodies and the IAC should not be abated. However the DDRB recommendations which the Government had rejected last year on extra increases at the top of the consultants' scale and the size of A+ awards for consultants, and which the Review Body had repeated this year, should again be rejected;
- ii) in view of the worryingly high level of the recommendations of the Review Bodies and the IAC it was essential for the awards to be staged. The general approach should be to implement pay increases of 7 per cent from 1 April 1990 with the remainder of the increases, including the "add ons", from 1 January 1991;
- iii) the additional payments for student nurses should be paid with effect from 1 April 1990 in addition to the increase of 7 per cent. Both nurses and the Professions Allied to Medicine (PAM) should also receive the recommended changes in London pay from that date;

- iv) the staging for the TSRB groups should follow the 6 per cent option in Annex B of the Cabinet Office paper;
- v) the second and third instalments of the recommended additional 10 per cent for judges in Grades 5-7 should be paid on 1 August 1991 and 1 April 1992, so that the staging would be completed by the final date envisaged by the Review Body.
- vi) the award for teachers should be staged on the basis of the Secretary of State for Education and Science's preferred approach set out in paragraph 16 of his minute;
- vii) the Government's decisions should be published on the afternoon of 1 February with parallel announcements by the Prime Minister on the Review Bodies and the Secretary of State for Education and Science on teachers' pay and conditions, both by way of Written Answer.

Continuing, the Prime Minister said it was agreed that the detailed financing implications would need to be settled with Treasury Ministers. However it was agreed that, in relation to the excess costs falling on the hospital and community health services there should be a contribution of £35 million for England (£44 million for the UK) from the health authority cost improvement programmes; and as regards the costs falling on the Family Practitioner Services £33.5 million in England (£41 million for the UK) which was provided for related primary care development should go towards the cost of the award.

It was further agreed that careful consideration would need to be given to the presentation of the Government's conclusions in relation to the percentage increase in the overall costs for 1990-91, taking together all the Review Body and IAC groups as a whole. Treasury Ministers would co-ordinate the preparation of briefing material; it was important that this should emphasise that in general the increases recommended by the Review Bodies would be in payment by the end of 1990-1, and that many of the people affected by the awards would also receive the benefit of annual increments.

I am sending copies of this letter to the Private Secretaries to those who attended the meeting and to Stephen Leach (Northern Ireland Office).

*Yan,
Paul*

(PAUL GRAY)

John Gieve, Esq.,
HM Treasury.

PRIME MINISTER

30(a-e) Copied to
Teacher's Pay.

PAY REVIEW BODIES AND TEACHERS' PAY

Following the series of bilaterals over the last few days, you are holding a meeting tomorrow with all the Ministers directly concerned both with the Pay Review Bodies and teachers. Those attending are the Lord President, Lord Chancellor, Chancellor of the Exchequer, Secretaries of State for Wales, Employment, Education and Science, Health, and Scotland, the Chief Secretary, Chief Whip, Mr. Luce and Archie Hamilton. (Peter Brooke was invited, but will probably be unable to attend.)

There are two papers before the meeting:

Flag A - the revised version of the Cabinet Office paper on the Review Bodies, which has been amended to take into account the outcome of your bilaterals today.

Flag B - John MacGregor's paper on teachers' pay. He indicates his favoured option is implementation in full, but as agreed this morning, he spells out a 7 per cent staging fall-back.

✓ ← The issues raised in the two papers will need to be looked at in parallel. You will want to consider whether to allow key Ministers to make substantial introductory comments, or whether to aim to move straight to a discussion of the key points for decision. You could perhaps compromise by just asking the Chancellor to make some introductory comments and then move straight to the issues for decision. I suggest you take them in the following order.

1. Abatement.

Confirm agreement that the only abatement of the Review Body and teachers' recommendations should be the DDRB proposals on consultants rejected last year (see paragraphs 9-10 of Flag A).

2. General approach

Secure agreement that the across the board approach should involve staging, with all the Review Bodies and teachers

getting a 7 per cent pay increase on 1 April with the remainder of basic increases plus add-ons from 1 January 1991.

3. Detailed Application of the general approach

(a) Armed Forces and Doctors and Dentists

These are the two groups with the largest pay bill increases under the basic 7 per cent approach, each over 8 per cent. Against that background, secure agreement that there is no scope for any special treatment for add on elements.

(b) Nurses/PAMs and Teachers

These are groups where the pay bill costs of the basic 7 per cent proposal are less than 8 per cent. I suggest you take the two together, because there is the danger of Messrs. MacGregor and Clarke trying to bid up against each other.

You have agreed that Mr. Clarke should get the extra add-on of student nurses from 1 April (paragraphs 14-15 of Flag A). You also agreed that the teachers should get an incentive package from 1 April. The problem is what to do in each case about London. If nurses also get their London pay from April, that would inevitably knock on to PAMs, and critically it would tip the overall pay bill both for nurses and Review Body groups as a whole to over 8 per cent. I have discussed this possibility informally with Bernard, who feels that it would be extremely difficult, if not impossible, to present an overall package for which the key figure starts with an eight rather than a seven.

But how can nurses/PAMs be denied their London pay if teachers are to get their full 8.8 per cent (plus the discretionary £750) from 1 April?

A possible approach would be:

- For nurses/PAMs no special London payments from 1 April to 1 January; but as I understand it, this would still mean that some nurses who get London pay as a pro rata percentage of basic pay would effectively get a 7 per cent increase in London allowance from 1 April. That would appear to be already included in the basic costing for nurses.
- For teachers, don't give 8.8 per cent from 1 April, but limit it to 7 per cent and then pay the 8.8 per cent (including backdating) from 1 January. Because of the backdating this would not save any money in 1990-91 as a whole. But it would avoid the presentational problem of teachers getting more than a 7 per cent increase for London before January. The £750 discretionary pay might be allowed from April, but because it is discretionary, treated as outside the settlement.
- an alternative for teachers would be to allow the 8.8 per cent from April, backdated to July 1989, but argue that since this reflects belated settlement of the 1989 London Waiting claim, it can be omitted from the percentage figures for the 1990 settlement.

(c) Top Salaries

There are two issues here, brought out in paragraphs 16-18 of Flag A.

First, whether the top salary groups should get the full 7 per cent - equivalent to the basic recommendation - from 1 April. When we discussed it this morning, you were content with the option then favoured by Robin Butler of a "6 per cent option", as brought out in Annex B to the Flag A paper. But this

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does involve some complications and an awkwardness in that senior armed forces would only get a pay bill increase in the year as a whole of 6.9 per cent. So an alternative would be just to abate to 6 per cent for those very top grades receiving a basic increase of 7 per cent and no more, and for the remainder to be staged under the basic 7 per cent option - see the final sentence of paragraph 17 of Flag A.

Second, the staging of the extra 10 per cent for judges. Paragraph 18 of Flag A suggests agreement to the latest possible staging consistent with the TSRB recommendations; I understand the Lord Chancellor is likely to agree to this.

4. Financing

There are three issues to settle which you could handle as follows:

- A contribution from the existing health budget (paragraphs 20-21 of Flag A). If there is any dispute you might want to get the Chancellor, Chief Secretary and Mr. Clarke to settle this outside the meeting.
- A minor excess cost for the Lord Chancellor's Department for which he wants to claim on the Reserve, an approach the Treasury wish to resist. Again, suggest this could be settled out of the meeting.
- Teachers. Secure agreement that there should be no extra grant to local authorities and that the cost of the settlement (7.9 per cent) over and above the IAC remit (7.6 per cent) should have a negligible impact on community charges.

5. Timetable

Unless something unexpected arises at the meeting, we should be set fair for the Review Bodies to be brought to Cabinet

this Thursday, 1 February, and for you to announce the outcome by Written Answer in the normal way that afternoon.

The issue then is whether teachers should be in parallel. Both you and Mr. MacGregor worked on that assumption this morning. But you may want to check again exactly what the timetable is for Chilver to deliver his final report, and whether there is any awkwardness about pronouncing on it, say, the very next day. The penultimate page of Mr. MacGregor's minute implies that announcement this Thursday of a staged package could be a bit messy.

pp. Stan Smith
Duty Clerk

PG

29 January 1990

jd c:payreview

SECRET AND PERSONAL



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 January 1990

1990 REVIEW BODY REPORTS

I enclose a copy of the 1990 Report of the Top Salaries Review Body, as background for the meeting your Minister will be attending tomorrow, 30 January. I should be grateful if you would ensure this is seen only by your Minister and senior officials with a strict need to know.

PAUL GRAY

Martin le Jeune Esq
Office of Arts and Libraries

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SECRET AND PERSONAL



me *EAM*

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 January 1990

1990 REVIEW BODY REPORTS

I enclose copies of the 1990 Review Body Reports on Doctors and Dentists, Nurses and Professions Allied to Medicine as background for the meeting your Secretary of State will be attending tomorrow, 30 January. Would you please ensure that these are seen only by your Secretary of State and those officials who have a strict need to know.

I am sending a copy of this letter to Stephen Williams (Welsh Office).

PAUL GRAY

Jim Gallagher Esq
Scottish Office

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PRIME MINISTER

Hector Laing rang to say that it was now proposed that the Governor of the Bank's salary should be increased from £127,000 to £145,000, rather than £200,000 as originally proposed. This is a 14 per cent increase, coming 18 months after the last, i.e. just 9 per cent at an annual rate.

Hector considers this reasonable and hopes therefore that you will not feel it necessary to mention it at tonight's dinner. The salaries proposed for the other directors are being looked at again. The increases, though smaller than originally envisaged, are likely to be larger than for Review Body groups.

AT

ANDREW TURNBULL

29 January 1990

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SECRET AND PERSONAL



29(a-4) A

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233

P 03616

MR P GRAY

29 January 1990

REVIEW BODY REPORTS 1990

I attach a note, co-ordinated by the Cabinet Office, which summarises the main recommendations of this year's Review Body reports and sets out possible courses of action for the Government, as a basis for discussion at the Prime Minister's meeting tomorrow.

The note is being copied to the private secretaries to the Lord President, Chancellor of the Exchequer, the Lord Chancellor, the Secretaries of State for Wales, Employment, Northern Ireland, Education and Science, Health and Scotland, the Chief Secretary, the Chief Whip, the Minister of State, Privy Council Office and the Minister of State for the Armed Forces, and to Sir Robin Butler.

I would be grateful if private secretaries receiving this note would be personally responsible for its handling, for ensuring that it is not copied and for showing it, where necessary, only to named officials who need to see it for briefing purposes.

R.T.J.

R T J WILSON

SECRET AND PERSONAL

PA
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PAY REVIEW BODY REPORTS

<u>Main recommendations</u>	<u>Estimated increase in paybill For 1990-91</u>										
	<u>£million</u>	<u>percentage</u>									
DOCTORS AND DENTISTS	330(3)	10.9(1)(3)									
<p>(i) Basic increases:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Hospital and Community Health Service</td> <td style="width: 10%; text-align: center;">- 9.5%</td> <td style="width: 10%;"></td> </tr> <tr> <td>General Medical Practitioners</td> <td style="text-align: center;">-11.5%(2)(3)</td> <td></td> </tr> <tr> <td>General Dental Practitioners</td> <td style="text-align: center;">-10.5%</td> <td></td> </tr> </table>			Hospital and Community Health Service	- 9.5%		General Medical Practitioners	-11.5%(2)(3)		General Dental Practitioners	-10.5%	
Hospital and Community Health Service	- 9.5%										
General Medical Practitioners	-11.5%(2)(3)										
General Dental Practitioners	-10.5%										
<p>(ii) Repeat of last year's recommendations for £1,000 addition to top of consultant scale (with consequential increases in awards) plus an increase of top award from 95% to 100% of scale maximum. Total increase of 15.2% for consultants with top awards and 12.4% for all other consultants on scale maximum. (Increase on 1989 recommended rates - 9.5%).</p>											
<p>(iii) £1,000 additional increment on top of associate specialists scale, giving total increase of 12.8%.</p>											

Notes: (1) Increase on 1989 recommended rates - 10.3%.

(2) This is the intended increase in average net remuneration; the new contract in particular may result in considerable individual variations.

(3) Some target payments for GMPs are recommended as outside intended average remuneration and are not included in these figures. Using DoH estimates of take-up and assuming pro rata expenses, these would add 0.8% to GMPs average net remuneration and some 0.3% to the total paybill. [These figures could not be deduced from the report].

N.B. Figures in **bold** are in the report. The other figures can be deduced from the report except where otherwise noted.

Because of various uncertainties in basic manpower and cost data available for NHS in particular, inadvisable to use costings as a firm basis for funding decisions.

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	<u>£million</u>	<u>percentage</u>
NURSES	531	9.6

- (i) Across the board 9%.
- (ii) Higher increases for lowest paid of 9.4-11.4%.
Abolition of lowest age points, giving 16.7%.
(Extra cost of giving more than 9% to these 2 categories: £7.2m).
- (iii) Pupils/students: 12.6-13.4% (extra cost over 9%: £15.6m). → 0.28%
- (iv) Psychiatric lead increased from £275 to £350 (cost: £10.5m).
- (v) Standby and on-call rates increased by 30-51% and brought into line with PAMs' new rates (cost: £2.1m).
- (vi) London allowance: two-tier system retained. Supplements (% of salary) and weighting (cash sums) adjusted and brought into line with PAMs' new rates. Cost £13.3m, representing an average increase of 12.5% but with widely varying effect:

	<u>From</u>	<u>To</u>	<u>Individual increases</u> ⁽¹⁾
Inner London (qualified)	9% + £981	5% + £1,550	£166-314
" " (unqualified)	5% + £981	5% + £1,300	£346-361
Outer London	5% + £981	5% + £1,100	£146-171
Fringe	2½% + £149	2½% + £200	£64-77

- (vii) Flexible pay pilot scheme: max. available increased to £12m (not included in costings or pay increases).
- (viii) Senior nursing grades to be subject of supplementary report in Spring; no provision made in this report for costs.

Largest increases in total pay for any significant numbers are for pupils/students in Inner London who would get about 16%. An appreciable number of unqualified staff in Inner London would get around 12-15% (with a very few young people getting up to about 20%).

Note (1): Subject to any abatement for those in NHS accommodation.

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	<u>£million</u>	<u>percentage</u>
PROFESSIONS ALLIED TO MEDICINE	52.6	10.1

- (i) Across the board 9.75%
- (ii) Higher increases for lowest paid of 10.1-10.8%. (Extra cost of giving more than 9.75%: £0.2m)
- (iii) Standby & on-call rates increased by 9-24% (Cost: £0.6m)
- (iv) London allowance: two-tier system retained. Supplements (% of salary) and weighting (cash sums) adjusted and brought into line with nurses' new rates. Cost £2.4m, representing an average increase of 21.3% but with widely varying effect:

	<u>From</u>	<u>To</u>	<u>Individual increases⁽¹⁾</u>
Inner London (qualified)	5% + £1,267	5% + £1,550	£322-335
" " (unqualified)	5% + £1,267	5% + £1,300	£63-71
Outer London	5% + £757	5% + £1,100	£373-395
Fringe	2½% + £149	2½% + £200	£66-77

(v) Health Departments' proposals for a pilot scheme of flexible pay supplements not supported.

Largest increases in total pay are for staff in Outer London, ranging from 11-15%. At the other extreme some unqualified staff in Inner London would get only 8.7-8.8%.

Note(1): Subject to abatement for those in NHS accommodation.

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	<u>£million</u>	<u>percentage</u>
ARMED FORCES	413	10.9

- (i) Basic pay increase in range from 8.7-9.5%
- (ii) Increase in 'X factor' of 0.5%

Combined effect of (i) and (ii), with usual tapering of 'X factor' for senior officers, is increases in military salaries of 9.0-10.0%. (Brigadiers down to Sergeants all within 9.0-9.3%; Corporals to Privates 9.4-10.0%). Average increase of 9.4%.

- (iii) New system of retention incentives, based on MOD proposals, giving bonuses of £2,000 for non-commissioned personnel for 6 years' service and a further £2,000 for 9 years' service. (1) For Army officers, bonuses of ~~£6,500~~ £6,500 for 6 years' service and promotion to Captain and a further £6,500 for 9 years' service and promotion to Major, in each case with a commitment to serve a further 3 years. These bonuses account for an increase of about 1.4% on the total paybill.
- (iv) Officers' flying pay restructured, as MOD proposed, to encourage retention of more experienced aircrew. Top rate increases from £12.77 to £17.97 a day. Increases in total pay for about half officers in receipt of flying pay of around 14-15%, and an overall range of 7-18%. (Paybill effect of 0.1%).
- (v) Some changes in bases of food and accommodation charges, most particularly in removal of rates element in accommodation charges in England and Wales. (Overseas the rates element will be replaced by a "facilities charge" determined by MOD).

Lowest increases: University cadets - 4.1-6.0%.

Highest increase: Junior under 16½ (abolition of lowest age point) - 23.0%.

Note: (1) Amounts will vary for some personnel already serving to take account of their existing terms of engagement.

P

CONFIDENTIAL

TOP SALARIES

Basic increase of 7% for Permanent Secretaries and above and comparable top posts in armed forces (CDS and 4 star officers) and in judiciary (High Court Judges and above). Targeted increases for other groups of posts included below.

Civil Service	<u>£thousand</u>	<u>% on senior civil service paybill</u>
(i) Basic increase of 7% (not on London Allowance)	2,093	6.8
(ii) London Grade 3s an additional £1,200 (increases total from £4,100 at new min. to £4500 at max.)	445	1.5
(iii) All Grade 2s: £4,500 (7% basic plus additions) - as for London Grade 3 max. Extra cost over 7%:	114	0.4
(iv) Performance-related pay scheme for Grades 2 & 3, as proposed by Govt.; with 2% gross on Grade 2 & 3 paybill to fund payments above standard increase. Will be transitional net costs until scheme matures to become self-financing; estimated net cost in 1990-91 a little over 1% of senior civil service paybill. Also implementation costs in 1990-91 of restructuring to remove incremental points; on basis of figs. supplied by Treasury we estimate this at about $\frac{2}{3}$ % of senior civil service paybill.		

Resultant pay increases:

- Grade 1A and above: 7%
- Grade 2: 7.5% at max, increasing to 8.9% at min.
- Grade 3 in London: 9.1-9.6%
- Grade 3 elsewhere: 7%
- Grade 2s and 3s presently below the normally attainable max. would get additional assimilation increases, as Govt. proposed, giving individuals totals between 11.5-18.7% (including basic 7%); in effect bringing forward increments due late this year or next under current arrangements.

Armed Forces

	<u>£thousand</u>	<u>% on senior armed forces paybill</u>
(i) Basic increase of 7%	683	7.0
(ii) Additional 2.75% for 2 & 3 star officers	225	2.3

Judiciary

	<u>£thousand</u>	<u>% on judicial paybill</u>
(i) Basic increase of 7%	3,988	7.0
(ii) Additional 10% for Groups 5 to 7 (Senior Circuit Court Judges and below). Recommended to be staged over 2 years, with 5% from 1.4.90, costing in 1990-91:	2,384	4.2)
If staged in equal parts over 3 years, cost in 1990-91:	1,616	2.8)

Overall paybill costs for remit groups as a whole would be 9.4% with 3 year staging for the judiciary or 10.2% with 2 year staging. These figures exclude the transitional and implementation costs of performance pay, which might add about $\frac{1}{2}$ % to the overall paybill.

The drafting of the report is not yet complete so it is not certain which figures will be explicit, but it is intended that **none** of the paybill implications will be in the report or derivable from it.

REVIEW BODY REPORTS 1990

The five Review Bodies have now reported. Their recommendations are summarised in annex A. The key figures are as follows:

Review Body	Pay bill increase in 1990-91 %	Range of increase %	UK public expenditure cost (1) £m
Armed Forces (AFRB)	10.9	4.1 - 23.0	458
Doctors & Dentists (DDRB)	10.9 (2)	9.5 - 15.2	423
Professions allied to medicine (PAMs)	10.1	8.7 - 14.7	61
Nurses and midwives (NRB)	9.6	8.9 - 16.0 (3)	630 (3)
Top salaries (TSRB)	11.0	7 - 18.6	10

(1) The figures for public expenditure cost differ from those in the Review Bodies' reports. Their figures do not include some costs which count as public expenditure.

(2) Payments to GPs for achieving higher targets for immunisation and cervical screening are recommended by the Review Body as outside intended average remuneration. For a GP who achieved all the targets this could mean an extra £3,120 per year. The payments would add some 0.3% to the total pay bill and are included in the £423 million.

(3) A very few young staff would receive higher increases of up to 19.7%. The figure of £630m. includes the cost of flexible pay schemes for nurses, recommended by the Review Body. It does not include the cost of any corresponding increases in bursaries from September 1990 under Project 2000 which could cost up to £1.5m., nor does it include the cost of any increases for senior nurses which are to be the subject of a supplementary report by the NRB in the Spring and could cost up to £8 million for a comparable Review Body award plus a further £8 million for restructuring.

PAY AND PRICE MOVEMENTS ELSEWHERE

2. The Review Bodies' recommendations compare with:
 - i. a year-on-year increase in underlying average earnings for the whole economy of 9 1/4 per cent in November;
 - ii. an average level of settlements for the whole economy since the start of the pay round of 8 1/2 per cent. In the private sector also the figure is 8 1/2 per cent;
 - iii. a year-on-year increase in the RPI of 7.7 per cent in December;
 - iv. the final offer to ambulance workers of 9 per cent over 18 months from 1 April 1989, equivalent to 6.5 per cent for the 12 months from 1 April 1989 followed by 7 per cent for the 6 months from 1 April 1990. With additions for London and a minority of staff with paramedical skills, the total pay bill increase will be just over 10 per cent over the 18-month period;
 - v. the remit to the Interim Advisory Committee on teachers' pay which is based on a 7.6 per cent increase in the pay bill.

3. Ministers will wish to have in mind the possible implications of their decisions for health service groups not covered by the Review Bodies (the PES provision for Whitley negotiations for these groups assumes a 7.5 per cent increase in their pay bill) and for civil servants in executive and clerical grades, both of which have 1 April as their settlement date, as well as possible wider repercussions.

FINANCING

4. The Ministry of Defence have confirmed that the AFRB award could be afforded within the provision made in the Estimates for 1990-91.

5. There should be no difficulty in financing the TSRB increases within current provision except for the award to the judiciary. The cost for some 324 judges in groups 5-7 who are paid out of the Lord Chancellor's Department Vote would exceed

current PES provision by £1 million in 1990-91.

6. The biggest requirement for financing arises on the NHS groups. The total cost of the recommendations in excess of the 5 per cent currently provided in PES for these groups' pay is £520 million (UK) (£422 million in England). Of this, £443 million is for the cash-limited hospital and community health services and £77 million for the family practitioner services which are not entirely cash-limited.

7. By convention the award for HCHS doctors and dentists is also applied to clinical academic staff working in the NHS but employed by the universities. They number about 3,500 (full and part-time) and the full-year cost would be £9.4 million on a UK basis. The universities are considered to have some 8% in their existing plans for this group; so that there would be a shortfall of £1.3 million in 1990-91 if the award were to be implemented in full from 1 April 1990.

THE OPTIONS

8. One approach would be to accept the awards in full. Ministers may however wish to consider options for abating or staging the awards, and for financing the cost in excess of provision.

Abatement

9. Abatement of the recommendations could be applied either to the basic increases or to the additional payments proposed over and above the basic increases. TSRB apart, there has been only one abatement across the board (for the DDRB in 1981) and that was restored in 1984. Abatement is traditionally regarded as the least acceptable method, not only to the professions but to the Review Bodies themselves who in recent years have set considerable store by the fact that each year's recommendations have been in full payment by the date of the following report.

10. The main candidate for abatement this year is the award to consultants by the DDRB. Last year the Government rejected the DDRB's recommendations on extra increases at the top of the consultants' scale and in the size of A+ awards for consultants on the ground that improving the long-term career structure for hospital doctors could be achieved better by the creation of 100 additional consultant posts over 3 years, promised in "Working for Patients". The Review Body this year says that the Government's reasons "are not clear and compelling, and we do not find the Government's explanation convincing". They therefore recommend reinstatement of:

- i. an increase of £1,000 at the top of the consultants' scale. This would increase the salary of consultants at the maximum by 12.4 per cent. All distinction awards would as a result increase by 12.4 per cent since their size is related to the consultant maximum.
- ii. an increase in the A+ distinction award from 95 to 100 per cent of the consultant scale maximum. Consultants enjoying this award as well as the increase at the top of the scale would get 15.2 per cent.

Ministers may feel that acceptance of the recommendations this year would imply that rejection last year was wrong. The recommendations, if accepted, would add 0.6 per cent to the pay bill for the DDRB group as a whole.

Staging

11. For other awards the alternative is to stage their implementation so as to reduce the size of the increase from April 1990 and the cost in the year 1990-1991. Table A attached illustrates this option on the following basis:

- i. a set percentage of the award for each group would be paid with effect from 1 April 1990 (eg. 6 per cent, 6.5 per

cent, 7 per cent);

ii. the balance, if any, of the award would be paid from 1 January 1991 so that only one quarter of the cost of this remaining increase would fall on the pay bill in 1990-91;

iii. the table shows what the increase in the pay bill for each group in 1990-91 would be if this staging were adopted. (The DDRB award for consultants is assumed to be rejected: see paragraph 10 above).

12. This staging would allow all the recommendations (with the minor exceptions in the footnote to the table) to be implemented in full by the time the Review Bodies report again next year, while still holding down the level of increases received by the groups concerned in 1990-91. The "7 per cent option" in particular, if implemented as shown, would keep the average increase in the pay bill for Review Body groups as a whole at around 7.9 per cent in 1990-91. Ministers are invited to decide whether to adopt the "7 per cent option" as the general approach for Review Body groups, with 7 per cent of each award being paid from 1 April 1990 and the rest from 1 January 1991.

13. If this approach is adopted, there will need to be decisions on how it is to be interpreted in relation to particular groups.

Nurses and PAMs

14. The recommendations for the nurses and PAMs include a number of additional payments, summarised in paragraphs 11 and 12 of annex A, including in particular:

Increases in the pay of student nurses	0.28%	(£15.6m)
Changes to London pay	0.24%	(£13.3m)
Same rates of London allowance for PAMs as for nurses	0.46%	(£2.4m.)

15. Ministers are invited to agree that the additional payments for student nurses should be paid with effect from 1 April, in addition to the increase of 7% paid from that date; to consider whether the changes in London pay should also be paid from that date for the nurses; and, if so, whether similar payments should also be made for the PAMs. Paying the increase for student nurses from 1 April 1990 would take the increase in the pay bill for nurses in 1990-91 under the "7 per cent option" to 7.9% and would mean that the overall increase in the pay bill for all Review Body groups as a whole would still round down to 7.9%. Introducing the changes in London pay from 1 April 1990 would take the increase in the pay bill for nurses in 1990-91 to 8.1% and would mean that the overall increase in the pay bill for Review Body groups as a whole was 8%.

TSRB

16. The application of the "7 per cent option" to the TSRB groups is shown in annex B. The TSRB's recommendation for the most senior grades within the group is that they should receive a 7 per cent basic increase with no additional payments; so that, alone of all the staff covered by the Review Bodies, these grades would receive their recommended increase in full from 1 April 1990.

17. Ministers may wish to consider therefore whether a "6 per cent option" should be applied to the recommendations of the TSRB. One possible approach is shown in annex B which would reduce the increase in the pay bill for the TSRB groups to around 7 per cent in 1990-91. An alternative would be for those grades which receive a basic increase of 7 per cent and no more (permanent secretaries, top judges and 4 and 5-star officers in the armed forces) to have their increase staged on the basis of 6 per cent from 1 April 1990, 1 per cent from 1 January 1991; and for the remainder of the group to be staged under the "7 per cent option".

46,020
60,000
W

18. The recommendations for the judiciary include 10 per cent staged over 2 years for judges in groups 5-7, in addition to a basic increase of 7 per cent. The TSRB considered the possibility however of staging the 10 per cent over three years. A decision is needed on when the later stages should be paid. Ministers may wish to agree that the second and third instalments of the 10 per cent for judges in grades 5-7 should be paid on 1 August 1991 and 1 April 1992. This would mean that the staging would be completed by the final date envisaged by the TSRB.

FINANCING OPTIONS

Financing the extra cost to the NHS

19. The hospital and community health service excess cost could be met either from within Health Authorities' existing allocations or from the Reserve. There are the following options:

i. meeting the cost in full from Health Authorities' existing allocations. However, this was not the basis of the health PES; and Authorities could not accommodate extra costs on the scale implied by full implementation from 1 April 1990 without massive reductions in patient services. This solution has been ruled out in recent years;

ii. meeting the cost in full from the Reserve. This would be helpful in securing co-operation on the health review changes, but might give the wrong signal to the Review Bodies for the future by removing the pressure on them to moderate their recommendations;

iii. spreading the cost between the Reserve and Health Authorities' allocations. This could send the right signals to the Review Bodies, without unacceptable consequences for patient services.

20. Ministers are invited to consider whether option iii should be adopted and, if so, what the contribution from the Health Authorities should be. The Secretary of State for Health is prepared to consider a contribution of up to £35 million for England (£44 million for the UK) from the Health Authority cost-improvement programmes, depending on the overall decisions reached on the awards. The Chancellor of the Exchequer considers £35 million (£44 million for the UK) to be the appropriate level of contribution.

21. As to the cost falling on the Family Practitioner Services (FPS), the Secretary of State for Health is also disposed to agree that £33.5 million (England) which was provided for related primary care development should go towards the cost of the award. The comparable UK figure is £41 million. This would finance almost completely the cost to the FPS of all options except full implementation, and would exceed the cost to the FPS of implementing the "7 per cent option" in Table A. Ministers are invited to agree that the FPS should make this contribution.

Financing the extra cost to the Lord Chancellor's Department

22. Staging under the "7 per cent option" would reduce the excess provision on the Vote of the Lord Chancellor's Department to £400,000. The Lord Chancellor's Department would want to make a claim on the Reserve to meet this requirement. The Treasury would want the amount to be absorbed within existing provision.

PENSIONS

23. In accordance with current practice, pensions should follow salary rates in payment and not any notional salaries. If the Government decides to defer or stage any Review Body awards, members of the review body group in question who retired during the period affected would suffer a permanent loss of pension. In particular, a pay award lower than inflation would mean that the pensions of those retiring before 1 April 1990 would overtake

those who retired after that date. This effect is more marked in the case of the Armed Forces Pension Scheme.

TEACHERS' PAY

24. The Secretary of State for Education is circulating a separate paper on the recommendations of the Interim Advisory Committee (IAC) on teachers' pay. Ministers will wish to ensure that there is a reasonable consistency of treatment with the Review Body reports.

TIMETABLE AND NEXT STEPS

25. There is no Parliamentary process for the Review Body reports except that an Order in Council is necessary to maintain the differential between the salaries of the Lord Chancellor and the Lord Chief Justice in accordance with declared Government policy. This requires an Affirmative Resolution in both Houses. The Order will have to be made in April if the Lord Chancellor is to receive his increase at that time. The debate on the resolution has in the past created an opportunity for debate on the whole TSRB report.

26. The intention is to remove the requirement by including a provision in the forthcoming Parliamentary Pensions Bill. This Bill has now been drafted but has yet to be introduced. Its timing is still unclear since it is awaiting a slot in the timetable and a decision about broadening its scope to include another provision. But the Bill seems unlikely to receive Royal Assent before 1 April unless it is speeded up.

CONCLUSIONS

27. Ministers are invited:

- i. to decide whether to reject again the DDRB recommendations which the Government rejected last year on extra increases at the top of the consultants' scale and in the size of A+ awards for consultants (paragraph 10);

ii. to decide to adopt the "7 per cent option" as the general approach for Review Body groups, with 7 per cent of each award being paid from 1 April 1990 and the rest from 1 January 1991 (paragraph 12);

iii. to agree that the additional payments for student nurses should be paid with effect from 1 April, in addition to the increase of 7% paid from that date; to consider whether the changes in London pay should also be paid from that date for the nurses; and, if so, whether similar payments should also be made for the PAMs;

iv. to decide how the recommended increases for the TSRB groups should be implemented (paragraphs 16 and 17):

v. to agree that the second and third instalments of the 10% for judges in Grades 5-7 should be paid on 1 August 1991 and 1 April 1992 (paragraph 18);

vi. to decide how the cost of awards for NHS groups in excess of provision should be met (paragraphs 20 and 21);

vii. to agree to publish all the Review Body reports, and the report of the IAC on teachers' pay, on Thursday 1 February and to announce the decisions by way of written answer to an arranged Parliamentary Question on that day.

CABINET OFFICE

29 January 1990

TABLE A
 OPTIONS FOR STAGING REVIEW BODY REPORTS

	NURSES	PAMs	DDRB	AFRB	TSRB
6 PER CENT OPTION					
6% from 1 April 90			HCHS 7.1		CS 6.8
Rest from 1 Jan 91	6.9	7.0	GMP 7.6	7.3	AF 6.8
			GDP 7.1		J 6.8
			overall 7.3		overall 6.8
6.5 PER CENT OPTION					
6.5% from 1 April 90	7.3	7.4	HCHS 7.5		CS 7.3
Rest from 1 Jan 91			GMP 8.0	7.7	AF 7.2
			GDP 7.5		J 7.3
			overall 7.6		overall 7.3
7 PER CENT OPTION					
7% from 1 April 90	7.7	7.8	HCHS 7.9		CS 7.6
Rest from 1 Jan 91			GMP 8.3	8.1	AF 7.6
			GDP 7.9		J 7.7
			overall 8.0		overall 7.7
8.5 PER CENT OPTION					
8.5% from 1 April 90	8.8	8.9	HCHS 9.0		CS 7.8
Rest from 1 Jan 91			GMP 9.5	9.2	AF 8.5
			GDP 9.0		J 8.8
			overall 9.1		overall 8.5
9 PER CENT OPTION					
9% from 1 April 90	9.2	9.3	HCHS 9.4		CS 9.3
Rest from 1 Jan 91			GMP 9.8	9.6	AF 8.8
			GDP 9.4		J 9.2
			overall 9.5		overall 9.2

NOTES

1. It is assumed that Ministers will wish to reject again the DDRB recommendations which they recommended last year, on the extra £1,000 for consultants and the A+ distinction awards (see para 10).
2. It is also assumed that the introduction of the new performance pay scheme for grades 2 and 3 in the Civil Service is deferred until 1 April 1991, but that the restructuring of the bottom of the grade 3 scale takes place from 1 August 1990.
3. For the judiciary it is assumed that the balance of the increase of 17% for senior county court judges and below is phased in three stages with one-third paid on 1 January 1991.

ANNEX A
SUMMARY OF RECOMMENDATIONS

1. This annex summarises key points in the Review Body reports.

AFRB

2. The AFRB propose a basic increase in the range of 8.7-9.5% for the armed forces plus the following additional payments:

	% of pay bill
a new system of retention incentives	1.3
an increase of 0.5% to 10.5% in the X factor reflecting differences between service and civilian conditions not taken directly into account in assessing pay comparability	0.5
restructuring of officers' flying pay to encourage retention	0.1

3. The retention incentives are bonus schemes proposed in response to present manning difficulties. This argues for their introduction from 1 April 1990. But they could be deferred until January 1991 under a staging approach in order to reduce the pay bill increase in 1990-91.

4. The pay rates recommended by the AFRB include an increase of 0.5% in the X factor as a token of their concern that the relative disadvantages of service life have increased. The additional 0.5% could be paid either as part of, or additional to, the first stage payment or as part of the second stage payment from 1 January 1991. Table A assumes that it is paid as part of the second stage payment from 1 January 1991.

TSRB

5. The TSRB have recommended a basic 7% increase for all groups. They have also recommended a number of additional payments. The following table lists these, and the pay bill increase resulting from them:

	% increase in pay bill for TSRB group as a whole:
£1,200 addition to Grade 3 London Allowance with consequential for Grade 2	0.61

Restructuring of bottom of Grade 3 and Grade 2 scales	0.23
New performance pay scheme	0.48
Additional 2.75% for 2 and 3 star officers	0.23
Additional 10% for senior circuit judges and below if phased over 2 years as recommended (if phased over 3 years which they mention as a possibility: 1.67%)	2.46

DDRDB

Consultants

6. The main issue on consultants is whether to reject the recommendation to reinstate elements of the consultants' package which were rejected last year: see paragraph 10 of the main text.

Other DDRDB groups

7. The other additional payments recommended by the DDRDB, with an indication of their pay bill effect, are:

	Pay bill effect %
i. Higher increases for General Medical Practitioners (11.5%) than for hospital doctors (9.5%) because of their new contract, plus a further 0.8% for those GMPs who meet higher targets making 12.3% in all.	0.6
ii. Higher increases for General Dental practitioners (10.5%) because of their new contract.	0.09
iii. £1,000 additional increment on top of the associate specialists' scale, giving total increase of 12.8%.	0.02

8. The higher basic increase for GMPs, 2% above hospital doctors, is the amount in the DDRDB's recommendations which is intended to pay the average GP for the additional work expected under the new contract coming into effect on 1 April. Capitation will form a much higher proportion of income than at present as a result of restructuring the fee scale. The new contract is performance-related in the sense that individual GPs will be paid

only if they do the work and attract and retain patients on their list. The contract will therefore result in considerable variations in pay as between individual GPs. For instance, those hitting specific targets for vaccination, immunisation and cervical cytology will be paid more than those who do not; and there will be financial incentives to run health promotion clinics, carry out minor surgery, keep up to date with post-graduate education and provide child health surveillance services. In addition GPs will on average be able to earn a further 0.8% on top of the 2% differential if they meet higher targets for vaccination and immunisation and for cervical cytology. For an individual GMP who achieves all the targets this would result in a payment of £3,120 per year.

9. In the case of GDPs the additional 1% is similarly intended to compensate dentists for the extra work which they will be encouraged to undertake under their new contracts from 1 October.

10. The additional increment of £1,000 for associate specialists is intended to recognise their responsibilities and long hours. Around 650 would be eligible with effect from 1 April 1990 at a basic cost of some £650,000. The reason for rejecting a similar recommendation on consultants last year is not applicable to associate specialists since no extra posts have been created.

NURSES AND PAMs

11. In addition to an across-the-board basic increase of 9% the NRB recommends the following payments:

	Pay bill effect(%) (additional cost in the UK fm.)	
Increases in pupil/student pay of 12.6-13.4%	0.28	(15.6)
Changes to London pay representing an average increase of 12.5% but with widely varying effect	0.24	(13.3)
Increasing the psychiatric lead from £275 to £350	0.19	(10.5)
Higher increases ranging from 9.4% to 11.4% for the lowest paid staff	0.13	(7.2)
Increases in standby and on-call allowances of 30-51%	0.04	(2.1)

12. For PAMs the NRB recommends additional payments as follows:

Increases of 10.1 - 10.8% for the lowest paid	0.04	(0.20)
--	------	--------

Same rates of London allowance as for nurses, representing an average increase of 21.3% but with widely varying effect	0.46	(2.4)
Standby and on-call rates increased by 9- 24%	0.12	(0.6)

13. In the Treasury view there are fairly strong arguments on merit against all these proposals for additional payments to nurses and PAMs. In particular:

- i. the higher increases for the lowest paid nurses undermine the restructuring introduced last year at a cost well over £1 billion;
- ii. the higher increases for pupil/student pay, if allowed to knock on to student bursaries, will separate student nurses further from other students, against the intention of Project 2000;
- iii. the increase in the psychiatric lead is a bad way of tackling the difficulties of recruitment and retention because it would spread a large sum of money too thinly to have much effect. Use of existing flexible pay supplements would be better.

Rejecting these three recommendations alone would save £33 million a year.

14. The Secretary of State for Health's view is that the 22% increase in the number of elderly people between 1985 and the end of the century is already creating a greatly increased demand for both nurses and PAMs; and that with a vacancy rate for qualified nurses at 3.8%, an increasing vacancy rate for unqualified nurses, and shortages of PAMs ranging from 5.5% for qualified staff in general to 14% for occupational therapists in particular, these payments are justified on their merits.

15. In deciding how to treat the nurses and PAMs Ministers may wish to bear in mind:

- i. the cost. The options for financing the cost of full implementation, in excess of existing provision, are considered in para 36 onwards below. The additional cost of full implementation compared with the 7% option in Table A would be some £145 million for nurses and PAMs.
- ii. the rationale. If nurses and PAMs were to be given special treatment there would have to be a clear rationale which prevented it being taken as the "going rate" for other groups in the public and private sectors.

One possible rationale would be the need to recruit and retain

a sufficient number of nurses to meet the NHS' requirements: the NRB report anticipates "difficult times ahead" (para 22) in terms of falling numbers of school leavers; and, it can be argued, there are also the increasing demands on the NHS, in particular of an ageing population. It is for consideration whether this rationale could be sustained, given the Government's evidence and the NRB's recognition that the recruitment of nurses improved in 1989, and whether it could be confined to the nurses and PAMs.

iii. non-Review Body groups. There could be repercussions for non-Review Body groups in the NHS and elsewhere who would wish to follow the nurses as a precedent.

CABINET OFFICE
29 January 1990

ANNEX B

OPTIONS FOR STAGING THE TSRB GROUPS

Ministers may wish to consider two options for staging the TSRB groups. Both assume that the new performance pay scheme for senior civil servants in grades 2 and 3 is delayed until 1 April 1991.

SEVEN PER CENT OPTION

Senior Civil Servants% of pay bill
for each group

i.	Basic increase of 7% from 1 April 1990	6.8
ii.	Increase in London allowance etc. from 1 January 1991	0.5
iii.	Scale restructuring from 1 August 1990	0.4
		—
	Increase in pay bill in 1990-91	7.7%

Senior armed forces

i.	Basic increase of 7% from 1 April 1990	7.0
ii.	Balance of award from 1 January 1991	0.6
		—
	Increase in pay bill in 1990-91	7.6%

Judiciary

i.	Basic increase of 7% from 1 April 1990	7.0
ii.	First instalment of 10% award to senior circuit court judges from 1 January 1991	0.7
		—
	Increase in pay bill in 1990-91	7.7%

/ 6 PER CENT OPTION overleaf

SIX PER CENT OPTION FOR TSRB GROUPS

An alternative would be to stage the package for the TSRB groups under a "6 per cent option" as follows:

Senior Civil Servants

% increase in
pay bill in
1990-91

i.	Basic increase of 6% on 1 April 1990	5.8
ii.	Remaining 1% on 1 January 1991	0.2
iii.	Scale restructuring from 1 April 1990	0.6
iv.	Increase in London allowances etc. from 1 January 1991	0.5
		—
	Increase in pay bill in 1990-91	7.1%

Senior Armed Forces

i.	Basic increase of 6% on 1 April 1990	6
ii.	Balance of award on 1 January 1991	0.9
		—
	Increase in pay bill in 1990-91	6.9

Judiciary

i.	Basic increase of 6% on 1 April 1990	6
ii.	Balance of remaining award (3 1/3% for senior circuit court judges, 1% for the rest) on 1 January 1991	1.0
		—
	Increase in pay bill in 1990-91	7.0



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 January 1990

Dear Alan,

Further to my telephone call this morning, I am writing to confirm that the meeting we discussed on pay review bodies will be held here at No.10 on Tuesday 30 January. The meeting will begin at 1145 and will last approximately one hour.

I am copying this letter to the Diary Secretaries to the Lord Chancellor, the Secretaries of State for Employment, Wales, Northern Ireland, Education and Science, Scotland and Health, the Lord President, the Chief Secretary, the Chief Whip, the Minister of State, Privy Council Office, the Minister of State for the Armed Forces and to Sir Robin Butler and Richard Wilson (Cabinet Office).

Yours sincerely,

Amanda Ponsonby

AMANDA PONSONBY (Mrs)

Alan Houmann, Esq.,
H.M. Treasury.

ATS

Note

Spoke to Pric Minister and told her that Sir Robin Butler forwarded a variant of option 6, involving continuing discretionary increases on 1/10/90 and deferring lower classes until 1/10/90. P.M. said she would be cabinet with that approach.

23(a-f)

From: R T J Wilson
26 January 1990

P 03615

MR. GRAY

Recd
29/1

cc Sir Robin Butler

TOP SALARY REVIEW BODY

1. You asked me to let you have today a note about the options for the pay of senior civil servants covered by the TSRB.
2. I have not been able to discuss what follows with Sir Robin Butler. It is therefore subject to any advice or further options which he may wish to put forward on Monday.

Options

3. I attach a note which illustrates six possible approaches. The figures relate only to the pay bill for senior civil servants, not for the TSRB group as a whole, and have been cleared with the Treasury.

Option 1 shows what the full cost of the TSRB's recommendations would be if implemented in full from 1 April 1990: £3.3 million representing a 10.9% increase in the pay bill for 1990/91. This option has, of course, been ruled out.

Option 2 shows the effect of applying the "7% approach" which it is intended should apply to all other review body groups: the cost is £2.3 million representing 7.6% of the pay bill for 1990/91. (The option assumes that the proposed restructuring of the bottom of the grade 3 scale takes effect from 1 April 1990 so as to ease the problem of inverse differentials which now exist between Grade 3s and

the grades below, and will be made worse on 1 August when those grades receive their next pay increase.)

Option 3 illustrates the approach which was suggested at the Prime Minister's meeting on Wednesday of paying 6% from 1 April 1990 but introducing the new performance pay scheme at the same time. It costs £2.6 million, 8.7% on the pay bill for 1990/91, and is clearly very high.

4. The remaining three options look at possible ways of staging the awards so that the basic payment from 1 April 1990 is less than 7%:

Option 4 shows the effect of paying 6% from 1 April 1990, with the balance from 1 January 1991. The cost is £2.1 million, 6.9% on the pay bill in 1990/91.

Option 5 shows the effect of increasing the payment from 1 April to 6.5%. The cost would be £2.2 million, 7.3% of the pay bill in 1991.

Option 6 sets out a possible variant of option 4, paying the increase in the London allowance for Grade 3s on 1 August 1990 rather than 1 January 1991. But the cost comes out at £2.3 million or 7.7% of the pay bill, marginally higher than the "7% option".

5. If Ministers were to favour one of the 6% or 6.5% options there would also need to be decisions on:

i. what the public rationale would be for treating civil servants differently from other review body groups; and

ii. whether similar treatment should be devised for the senior armed forces and judiciary also covered by the TSRB. Their awards are structured differently and we would have to

work out a way of bringing out their settlement at the desired figure.

Judiciary

6. I understand that the Lord Chancellor's Department have now consulted the Lord Chancellor on the question of staging the TSRB award for the judiciary, and that his views are as follows:

i. he appreciates that staging additional payments will almost certainly be necessary but hopes that it can be avoided for basic increases which, in the case of the judiciary, is 7%. If, however, it were decided to award a higher, or lower, figure for other groups from 1 April 1990, he thinks that the judiciary should be in no different a position from any other group;

ii. as to the staging of the additional 10% for groups 5 to 7 of the judiciary, assuming that the first instalment is paid on 1 January 1991, he appreciates the difficulty of meeting the TSRB's recommendations that the process should be completed by 1 April 1991. He is very strongly of the view, however, that staging for the lower judiciary should be completed over two years and not therefore extended beyond 1 April 1992 at the latest.

7. We will clarify precisely what this means with the Lord Chancellor's Department on Monday. But it appears to point to paying the judiciary 7% from 1 April 1990, and the balance in three instalments on 1 January 1991, 1 September 1991 and 1 April 1992. This would produce an increase of around 7.7% in the paybill for the judiciary in 1990/91.

RJW
R T J WILSON

OPTIONS FOR SENIOR CIVIL SERVANTS COVERED BY THE TSRB

The pay bill for this group (basic pay bill plus London allowance for Grade 3s) is £30.1 million.

OPTION 1: IMPLEMENTATION OF THE TSRB REPORT IN FULL FROM 1 APRIL 1990

	£m	%
i. Basic increase of 7% from 1 April 1990	2.054	6.82
ii. Cash sum of 2% for Grades 2 and 3 for the new performance pay scheme from 1 April 1990	0.534	1.77
iii. Restructuring of the grade 2 and 3 scales from 1 April 1990	0.172	0.57
iv. No discretionary increments on 1 October 1990	- 0.073	- 0.24
v. Increase in London Allowance for Grade 3 and min/max for Grade 2	0.593	1.97
	-----	-----
TOTAL 1990-91	£3.3m	10.9%

OPTION 2: STAGING UNDER "7 PER CENT OPTION"

	£m	%
i. Basic increase of 7% from 1 April 1990	2.054	6.82
ii. Performance pay scheme delayed until 1 April 1991	0	0
iii. No discretionary increments from 1 October 1990	- 0.073	- 0.24
iv. Increase in London allowance etc. from 1 January 1991	0.148	0.49
v. Scale restructuring from 1 April 1990	0.172	0.57
	-----	-----
TOTAL	£2.3m	7.6%

OPTION 3: PAYMENT OF 6% FROM 1 APRIL 1990, PLUS INTRODUCTION OF PERFORMANCE PAY SCHEME FROM 1 APRIL 1990 (option suggested at meeting on 23 January 1990)

	£m	%
i. Basic increase of 6% on 1 April 1990	1.761	5.84
ii. Remaining 1% on 1 January 1991	0.073	0.24
iii. Performance pay scheme from 1 April 1990	0.534	1.77
iv. No discretionary increments on 1 October 1990	- 0.073	- 0.24
v. Scale restructuring from 1 April 1990	0.172	0.57
vi. Increase in London allowance etc. from 1 January 1991	0.148	0.49
	<hr/>	<hr/>
TOTAL	£2.6m	8.7%

OPTION 4: PAYMENT OF 6% FROM 1 APRIL 1990 DELAYING PERFORMANCE PAY SCHEME UNTIL 1 APRIL 1991

	£m	%
i. Basic increase of 6% on 1 April 1990	1.761	5.84
ii. Remaining 1% on 1 January 1991	0.073	0.24
iii. Performance pay scheme from 1 April 1991	-	-
iv. No discretionary increments from 1 October 1990	- 0.073	- 0.24
v. Scale restructuring from 1 April 1990	0.172	0.57
vi. Increase in London allowance etc. from 1 January 1991	0.148	0.49
	<hr/>	<hr/>
TOTAL	£2.1m	6.9%

P

OPTION 5: 6.5% FROM 1 APRIL 1990 WITH BALANCE FROM 1 JANUARY 1991 AND PERFORMANCE PAY DELAYED UNTIL 1 APRIL 1991

	fm	%
i. 6.5% from 1 April 1990 plus 0.5% from 1 January 1991	1.944	6.45
ii. Performance pay delayed until 1 April 1991	0	0
iii. No discretionary increments etc. on 1 October 1990	- 0.073	- 0.24
iv. Increase in London allowances etc from 1 January 1991	0.148	0.49
v. Scale restructuring from 1 April 1990	0.172	0.57
	-----	-----
TOTAL	£2.2m	7.3%

OPTION 6: VARIATION ON "6% OPTION" WITH INCREASE IN LONDON ALLOWANCE PAID FROM 1 AUGUST 1990

	fm	%
i. 6% from 1 April 1990	1.761	5.84
ii. 1% from 1 January 1991	0.073	0.24
iii. Performance pay delayed until 1 April 1991	0	0
iv. No discretionary increments on 1 October 1990	- 0.073	- 0.24
v. Increase in London allowance etc. from 1 August 1990	0.395	1.31
vi. Scale restructuring from 1 April 1990	0.172	0.57
	-----	-----
TOTAL	£2.3m	7.7%

PRIME MINISTER

RA

REVIEW BODIES

I sent down to Chequers in the first box on Friday a note for your talk with Tom King on Saturday.

I now attach to this minute three further notes on outstanding aspects of the Review Bodies package:

Flag A - A note for a further bilateral talk with John MacGregor scheduled for 1145 on Monday.

Flag B - A note for another talk with Kenneth Clarke at 1215 on Monday, which the Chancellor will also be joining.

Flag C - A note from Richard Wilson summarising the options for the handling of the TSRB report.

The TSRB report itself has now been submitted and is at Flag D.

Richard's note at Flag C sets out the options but does not give a precise recommendation; Sir Robin Butler has been out of the office today and we have been unable to consult him.

There are two main issues to settle:

- (i) how to handle senior civil servants;
- (ii) the Judiciary.

Senior Civil Servants

Sir Robin Butler suggested at your meeting last week the possibility of paying just 6 per cent from 1 April for this group but introducing the new performance pay scheme at the same time. This is set out as option 3 in the Wilson note. It seems to imply unacceptably high pay bill costs for 1990-91.

b

If that is ruled out, the choice is between the basic 7 per cent approach being adopted for other Review Body groups (option 2) or various ways of having a tougher approach for senior civil servants than others (options 4-6).

You will want to consider which of the options you favour.

Judiciary

Paragraphs 6-7 of the Wilson note set out what we know of the Lord Chancellor's views. It seems he will accept the basic 7 per cent approach for the judiciary if everyone else gets the same. But on the staging of the extra 10 per cent for the Judges, he wants to complete in two years rather than three. If you would prefer the slower approach, it may be that you will need to have a word with him.

Conclusion

- (i) Which of the Civil Service options do you favour?
- (ii) Do you want to go for two year rather than three year staging for the Judiciary's extra 10 per cent?

Rec.

PAUL GRAY

26 January 1990

A:\ECONOMIC\REVIEW.DAS

SPEAKING NOTE FOR MEETING WITH MR MACGREGOR

Latest Position

Mr MacGregor is playing his cards very close to his chest, even from his closest advisers. I have not been able to establish what, if anything, transpired with Lord Chilver on Thursday night or the outcome of Friday's meeting of the IAC.

Line To Take

1. Ask Mr MacGregor for a report on the latest position reached by the IAC.
2. Tell him that the teachers will have to be given the same basic approach as the Review Body groups, ie 7 per cent from 1 April 1990 and the remainder of basic increases and all additions on 1 January 1991. Indicate that you are prepared to go through with the Affirmative Resolutions.
3. Check that Mr MacGregor will be circulating a paper on Monday night to be taken at Tuesday's Ministerial meeting. Urge him to recommend the approach as in 2.
4. Check the latest position on the logistics of proceeding with publication and announcement of the IAC Report on Thursday 1 February in parallel with the Review Bodies.
5. If it is logistically possible, consider with him the politics and tactics of that timetable. Does the desirability of a simultaneous approach outweigh possible criticism of the Government being seen to announce its decisions perhaps only a day after formally receiving the report? Would it place Chilver in a difficult position with other members of the IAC, assuming that they are not aware of the informal contacts that have been taking place?

d

NOTE FOR MEETING WITH MR CLARKE

Latest Position

Mr Clarke will not be sending in a further note for the meeting.

You agreed with him last night that:

- He would drop demands for special treatment for any of the doctors or dentists.
- But that he could consider a small package bringing forward some of the add-ons for nurses to 1 April as long as this kept the 1990-91 pay bill costs at 7.9 per cent.

My intelligence is that:

- Mr Clarke will say he continues to be disturbed by the difficulties of handling GPs. But I am not sure whether he will seek to reopen that issue.
- He will not come forward with a precise 7.9 per cent package for nurses. He may say he continues to want all three add-ons brought forward to 1 April, ie:
 - a. student nurses - £13.65 million cost in advancing from 1 January to 1 April;
 - b. low paid auxiliaries - extra £6.3 million costs;
 - c. London Allowance - extra £11.6 million costs.

This produces a total nurses package of 8.24 per cent. To get it to marginally 8 per cent (but probably still rounding up to that figure) means trimming £16 million of the package. That means that only one of the three elements could be paid in full.

- I suspect Mr Clark will argue such trimming back is difficult and press for the full 8.24 per cent.

e

- He may also suggest that consideration be given to bringing forward some of the add-ons for Professions Allied to Medicine. If so, he could quote your comments last night which were supportive of some of the PAMs.
- Again, he may also resist a possible Treasury attempt to stage the expenses element of the DDRB. The expenses side of the equation has never been staged before, and, as I understand it, is not usually scored in the percentage "pay" increase.

Line To Take

Subject to the outcome of your talk on Saturday with Mr King, the best approach could be to argue that the only add-on to be advanced for the nurses is that for students. That would bring the package back below 8 per cent. It is students and the Community Charge issue that Mr Clarke argued was the political problem. And you might urge him to use his ingenuity to come up with the best rationalisation for granting just this one special case. That would also dispose of any knock-ons to PAMs, for which there are no "students".

A: \ ECONOMIC \ FLAG B - DTS



Economic/TopSal

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

SIR ROBIN BUTLER

REVIEW BODY ON TOP SALARIES

I enclose the covering letter from Sir David Nickson to the Prime Minister sent with the 1990 Review Body Report. You will see that, unlike the other Review Body Chairmen, he has sent a substantial letter and requests the opportunity for a discussion with the Government during the coming year.

The Prime Minister will need to reply to Sir David on the day of publication and I should be grateful if you could let me have a draft reply by 1600 on Tuesday 30 January please.

I am copying this minute and enclosure to Mr. Gieve (H.M. Treasury), Mr. Stockton (Lord Chancellor's Office), Mr. Webb (Ministry of Defence) and Mr. Le Jeune (Office of the Minister of State, Privy Council Office).

Paul Gray

26 January 1990

ea



SUBJECT

26 (A-B)
Cec MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

25 January 1990

Dear Andy,

PAY REVIEW BODY REPORTS

The Prime Minister had a further word with your Secretary of State this evening about the recommendations of the Pay Review Body Reports. The Chancellor of the Exchequer was also present.

I should be grateful if you and copy recipients would ensure that this letter is not copied further and is seen only by those with a strict need to know.

The Prime Minister said that following the meeting the previous week, she and the Chancellor had been considering further the overall position presented by the Review Body Reports. They recognised that your Secretary of State's preference was to give some degree of preferential treatment to nurses, general medical practitioners and dentists. But it was clear that there were similar pressures for special treatment from other Review Body groups, and it was extremely difficult to set a sustainable rationale for favouring just some of the medical groups. They had therefore come to the view that the right approach for all the Review Body groups was to award 7 per cent increases with effect from 1 April 1990, and to implement the remaining increases in basic pay and the various supplementary recommendations (other than those for top consultants which had been repeated from the 1989 Report and which should again be rejected) with effect from 1 January 1991.

Your Secretary of State said that, while he accepted staging for doctors and dentists, he would still prefer to award general medical practitioners an additional 2 per cent and dentists an additional 1 per cent (on top of the basic 7 per cent) from 1 April 1990. This would reflect the supplements in respect of the new contracts. The Prime Minister and the Chancellor said they did not feel able to accept this addition, which would make the overall package unsustainable.

Your Secretary of State said that he recognised the difficulty. But he was particularly concerned about the position of the nurses. While he no longer wished to press the case for paying 9 per cent to all nurses with effect from 1 April 1990, and would accept 7 per cent from that date, he felt it important also to implement at least some of the "add-ons" straight away rather than staging them until 1 January 1991. In particular, he wished to provide this treatment for the additions for low paid

nurses, for student nurses, and for London pay.

The Chancellor said that, on a rough calculation, this seemed likely to increase the overall 1990-91 pay bill growth for nurses from 7.7 per cent to over 8 per cent. This would be too high, and it could prove extremely difficult effectively to ring-fence any concessions of this sort for nurses from similar requests for other Review Body groups.

Following discussion, the Prime Minister said it was agreed that the broad approach for the medical Review Body groups, as for the others, should be to grant 7 per cent increases from 1 April 1990, with the remaining recommendations (except for top consultants) from 1 January 1991. But she and the Chancellor were prepared for your Secretary of State to put forward a proposal for implementing some aspects of the add-on proposals for low paid nurses from 1 April 1990, on condition that this was achieved within a 1990-91 pay bill growth of 7.9 per cent. It would not be possible within that envelope to implement the additional London pay at the earlier date. In the light of your Secretary of State's further consideration of such a proposal, it would be necessary to consider whether it could be accommodated within a sustainable overall Review Body package.

I am sending copies of this letter to John Gieve (HM Treasury) and Richard Wilson (Cabinet Office).

Yours,
Paul

PAUL GRAY

Andy McKeon, Esq.,
Department of Health.



OFFICE OF MANPOWER ECONOMICS

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Telephone 01-405 5944

PRIVATE & CONFIDENTIAL

The Rt Hon Mrs Margaret Thatcher
The Prime Minister
10 Downing Street
LONDON SW1A 2AA

25 January 1990

Dear Prime Minister,

REVIEW BODY ON TOP SALARIES

I enclose the Review Body's Thirteenth Report on Top Salaries which contains our recommendations on the levels of salaries we consider appropriate at 1 April 1990 for members of the groups within our remit. In normal circumstances I would have been content to allow the report to speak for itself. However, in the current difficult economic situation and with inflationary pay pressures at a critical stage, I felt I should write to you personally to provide a little more background.

Last year my predecessor Lord Plowden presented his final report as Chairman, which stated that the Review Body had "thought it right to attach great weight to resisting and doing what we can to discourage any addition to current inflationary pressures". But the report went on to say "the approach we have adopted this year, whilst justified in view of the need to resist inflationary pressures must not be repeated regularly. There are strong upward pressures on salaries at this level in the public services which will have to be recognised and accommodated over the next few years".

In the light of this we had hoped this year to make real progress in correcting the position identified in last year's report. But during the period of our review the increase in inflationary pressures has once again meant that economic considerations had to predominate and we have, in the event, felt it right to recommend a general increase for top salaries of 7% which is marginally below the current level of inflation, in order to support the Government's policies.

There are, however, certain pressures which in our view cannot be contained any longer. Our recommendations cover these but I wish to bring them specifically to your attention.

Briefly/



Briefly they are:-

For Civil Servants

- the need to implement the Government's own proposals for performance related pay;
- the need to correct the position for Grade 2 and 3 Civil Servants, especially in London, where pay increases already awarded by the Government during 1989 for Grades 4, 5 and below have eroded, and in some cases completely eliminated, existing differentials.

For the Judiciary

- the need to respond to the growing concern that the Lord Chancellor has expressed to us for the past two years over the serious recruitment position for Circuit Judges.

For the Armed Forces

- the need to maintain appropriate differentials between ranks and at the same time to keep suitable links with the Civil Service pay structure.

The increases we have recommended over and above the basic 7% are in our view the very minimum needed to address these various problems. We have deliberately refrained in our report from giving precise costings to these increases on the grounds that the Government may wish the maximum flexibility to present these in the light of the decisions it makes on our recommendations in whatever way it wishes.

I have therefore written separately today to Sir Robin Butler providing the detailed costings of our recommendations.

Finally, I should add that we would appreciate the opportunity to discuss with the Government during the coming year the long term implications of our concern over public sector pay at these levels and what steps can be taken to improve the position.

Yours sincerely
David Nickson

SIR DAVID NICKSON

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TSRB

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RA

PRIME MINISTER

P 03614

1990 REVIEW BODY REPORTS
Meetings with Mr King and Mr Clarke

1. As agreed, you are to see Mr King and Mr Clarke to secure their support for the staging of this year's Review Body recommendations.

Meeting with Mr King

Background

2. The recommendations of the Armed Forces Review Body (AFRB), which Mr King will have seen, if implemented in full from 1 April 1990 would add 10.9% to the armed forces' pay bill in 1990-91. The main elements would be:

- | | |
|--|--------------|
| i. basic pay increase | 8.7% to 9.5% |
| ii. a new system of retention incentives | 1.3% |
| iii. an increase of 0.5% to 10.5% in the X factor reflecting differences between service and civilian life | 0.5% |
| iv. restructuring of officers' flying pay | 0.1% |

Points to make

3. You will wish to explain to Mr King the proposal that there should be 'equal misery' across all Review Body groups, with the recommendations for each being staged as follows:

- 7 per cent of the basic increase to be paid from 1 April 1990;
- the balance (if any) of the basic pay increase plus "add-ons" to be paid from 1 January 1991.

4. You may wish to make the following points:

- i. there will probably be a meeting of key Ministers next Tuesday to discuss the Review Body reports which Mr King will be unable to attend because of his visit to Washington;
- ii. it would therefore be helpful to know now that the proposed approach has his support, given the intention that it should be applied to all groups without 'special cases';
- iii. the AFRB group will as it happens do rather well out of the proposed approach, which results in an overall increase of 8.1 per cent in their pay bill for 1990-91.

Meeting with Mr Clarke

Background

5. The recommendations of the Doctors' and Dentists' Review Body (DDRB) would add 11.4% to the paybill for the group as a whole in 1990-91 if implemented in full from 1 April 1990. The main elements would be:

- i. reinstatement for the consultants of the recommendations which the Government rejected last year;
- ii. increases of 9.5% for hospital doctors, 10.5% for dentists and 11.5% for GPs (plus 0.8% for those meeting higher targets).

← The recommendations of the Nurses' Review Body (NRB) would add 9.7% to the pay bill in 1990-91 for nurses if paid in full from 1 April 1990. The main elements would be:

- i. a basic increase of 9% across the board;
- ii. increases in pupil student pay of 12.6% - 13.4%;
- iii. changes to London pay averaging 12.5% with wide individual variations;
- iv. increasing the psychiatric lead from £275 to £350;
- v. increases in standby and on-call allowances of 30%-51%.

← The recommendations for Professions Allied to Medicine (PAMs) would add 10.1% to the pay bill for 1990-91 if paid in full from 1 April 1990. The main elements would be:

- i. a basic increase of 9.75% across the board;

- ii. increases of 10.1% - 10.8% for the lowest paid;
- iii. same changes in London pay as for nurses, averaging 21.3% with wide variation;
- iv. standby and on-call rates increased by 9% - 24%.

6. Mr Clarke would like NHS groups to receive special treatment. He has in mind implementation of the nurses' and PAMs' awards in full from 1 April 1990; and staging the doctors and dentists so as to preserve the DDRB's proposed differentials with the following amounts being paid from 1 April 1990:

Hospital doctors	7%
Dentists	8%
GPs	9%

and the balance of the awards being paid from 1 January 1991.

Points to make

7. The proposed 'equal misery' under the 7% option which you have agreed with the Chancellor of the Exchequer would produce the following increases in the pay bill for the NHS groups in 1990-91:

HCHS (hospital doctors)	7.9 -
GPs	<u>8.3</u>
Dentists	<u>7.9</u>
Overall	<u>8.0</u>

8. You may want to draw on the following points in your discussion with Mr Clarke.

i. Implementing the award for nurses and PAMs in full from 1 April 1990 would cost £691 million in 1990-91. This is £140 million more than the "7% option" which you and the Chancellor are proposing.

ii. The case on merits for the additional payments for the nurses, costing some 0.6% of the pay bill, is at best mixed (for instance, the justification for spending £10.5 million

on increasing the psychiatric lead from £275 to £350 appears to be weak). What is the case for paying them from 1 April 1990 rather than 1 January 1991?

iii. The explanation of the 2% differential for GPs in respect of their new contracts is still not clear (eg the NHS will be paying some GPs for doing what they already do). And why should dentists get a 1% differential from 1 April 1990 when their new contract is not to be introduced until 1 October 1990?

iv. There is general agreement that the payments ^{for the other Review Body groups} should be staged, not abated. But special treatment for the NHS groups would lead to similar demands for special treatment of teachers and the armed forces. It would create a precedent for the non-Review Body groups in the NHS Whitley Council. And there would be no rationale: problems of recruitment and retention are not peculiar to the NHS.

RJW.

R T J WILSON
Cabinet Office
24 January 1990

PRIME MINISTER

P 03615

1990 REVIEW BODY REPORTS
Meeting with Mr MacGregor

1. You are seeing Mr MacGregor:
 - i. to secure his support for the '7 per cent option' which you discussed with the Chancellor of the Exchequer;
 - ii. to ask him to make an approach to Lord Chilver.
2. You may wish to begin by asking Mr MacGregor what his latest intelligence is on the timing and content of the IAC report. Our understanding is that the IAC are to hold a final meeting on Friday; that their report will not be submitted until late next Tuesday at the earliest and possibly not until Thursday morning; and that the main recommendation is likely to be a basic increase of 8.2% plus additional payments of 1%.
3. You may then wish to explain to Mr MacGregor the "7% option" which you and the Chancellor of the Exchequer are minded to adopt. The proposal is that all the Review Body reports should be staged so as to pay 7 per cent of the basic increase from 1 April 1990 and the balance (if any) of the increase plus additional payments from 1 January 1991. The case for applying the same approach to the IAC report is compelling.
4. You may then want to ask Mr MacGregor to convey to Lord Chilver the importance of recognising in his report that the Government might need to stage the implementation of its recommendations. The IAC could reasonably be expected to acknowledge that they had exceeded their remit by a substantial amount - an increase of 9.2% rather than 7.6% in the pay bill at a cost, we believe, of some £120 million - and then say

specifically that they accepted that the Government would need to consider staging the implementation so as to bring the cost in 1990-91 within what was affordable.

5. Finally, you may wish to touch on timing. If the IAC report is not received until Wednesday or Thursday, there may be a case for announcing the Government's decisions on it separately, a few days after the announcement on the Review Bodies on 1 February. Does Mr MacGregor see any difficulty with this?

RJW.

R T J WILSON
Cabinet Office
24 January 1990



CABINET OFFICE

R.T.J. Wilson

~~Paul Gray~~

You may find this
helpful for this afternoon's
meeting.

RJ.

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24a-b

1990 REVIEW BODY REPORTS

POINTS ON WHICH DECISIONS WILL BE NEEDED

1. Staging
 - i. options. What basic increase from 1 April 1990?

 - ii. special treatment. Should there be 'equal misery' for all groups or should some groups get special treatment as Mr Clarke proposes?

2. Teachers. The IAC report may not arrive until late on Tuesday or early on Wednesday next week, or even Thursday morning. It is said to recommend a basic increase of around 8.2% plus around 1% for add-ons. Decisions will be needed on:
 - i. staging and the possible need for Affirmative Resolutions;

 - ii. funding with the implications for the community charge and mechanics;

 - iii. internal arrangements, in particular the need for Mr MacGregor to put in a paper on Monday.

3. Add-ons for particular groups:
 - i. retention incentives for the AFRB (paragraph 10). Should they be deferred to 1 April 1991?

 - ii. factor X for AFRB (paragraph 11). Should this be paid from 1 January 1991?

 - iii. senior civil servants. Is the package in paragraph 14 acceptable?

- iv. staging of the 10% for circuit court judges (paragraph 17). Should this be paid in three instalments, on 1 January 1991, 1 January 1992, 1 January 1993? or 1 January 1991, 1 September 1991, 1 April 1992? The Prime Minister may want the Lord Chancellor's views.
- v. consultants (paragraph 19). Is it agreed that last year's recommendations should be rejected again? But that associate specialists should get their £1000 from 1 January 1991 (paragraph 21)?
- vi. nurses and PAMs (paragraphs 22 to 24). Should they get their extras?
4. Financing (paragraphs 33 and 37 iii). The Lord Chancellor's Department want £0.4m towards their costs. The Department of Health are prepared to contribute £33.5m towards the excess cost for the FPS and up to £35m towards the HCHS with the Reserve meeting the rest. Should these Departments get the extra money?
5. Timetable. Should the Lord Chancellor receive his increase from 1 April 1990, with the consequential need for an Order in Council subject to Affirmative Resolution in both Houses?

Cabinet Office
24 January 1990

From: R T J Wilson
23 January 1990

P 03611

~~MR GRAY~~

cc Sir Robin Butler

1990 REVIEW BODY REPORT

1. As promised I attach a draft of the paper for Ministers on this year's Review Body reports which the Cabinet Office was asked to co-ordinate. I have passed copies of the paper to the Treasury so that it can form the basis for the Prime Minister's discussion with the Chancellor of the Exchequer and the Chief Secretary tomorrow afternoon.

2. The paper is very much a first draft. In particular we have not yet seen the TSRB report, and the analysis needs checking. But it shows broadly the issues which are likely to emerge, in particular on the NHS groups.

RTJ

R T J WILSON

copy
22a-4

PRIME MINISTER

REVIEW BODY REPORTS

You are having a meeting tomorrow afternoon with the Chancellor, Chief Secretary, Robin Butler and Richard Wilson to discuss a first draft of the paper for Ministers on the Review Body reports.

The papers below are:

Flag A - my minute and the earlier minute by Richard Wilson summarising the work in hand which you saw at the weekend.

Flag B - the first draft of the Ministerial paper.

At the bottom of the folder are the four Review Body reports themselves which we have already received; the TSRB report is still to come.

I suggest you handle tomorrow's discussion broadly by working through points in the order they arise in the Flag B draft. The main issues are:

- i. What basic increase from 1 April to go for? When you saw the weekend papers you were minded to favour 6.5 per cent. I think a figure at (or may be below) that level is essential if there are to be higher figures for any favoured groups like the nurses. The main alternative would be to go for an initial 7 per cent increase for all groups (with no special treatment for nurses, etc.) and aim to squeeze the year on year costs down to around 7½. The part of the Flag B paper to focus on for this part of the discussion is the table following paragraph 9.
- ii. Work through the various proposals for add ons by the different Review Bodies set out in paragraphs 9-24.

5

- iii. Consider the case for special treatment for the medical groups - paragraphs 26-31.
- iv. Financing of the package - paragraphs 32-37.

Teachers

There is only brief reference in the draft paper (paragraph 39) to the position on teachers' pay. The IAC met today but I understand has not yet finalised its package. We have emphasised to DES that you want to announce the complete package next Thursday 1 February, and in terms of the necessary mechanics that should still just be possible.

The latest intelligence on the IAC recommendations is that they could go for a basic increase of a little over 8 per cent, with a further 1 per cent for add ons.

In considering the staging packages for the Review Bodies you will want to bear in mind the read across to teachers. One major complication, mentioned in paragraph 39, is that over-ruling the IAC's recommendations, even by staging, would require an affirmative resolution in both Houses. In terms of Parliamentary mechanics this is a bore. But in terms of demonstrating the Government's resolve on public sector pay there may be no harm in being seen to be prepared to take that step.

Next Steps

If we are to proceed with an announcement next Thursday 1 February you will need to have a meeting with all colleagues having a direct interest in the Review Bodies/teachers early next week, and we have pencilled in Tuesday 30 January. It is for that meeting that the draft paper at Flag B will be tabled.

But before that you may want to consider some further bilateral meetings with key colleagues. One approach would be:

- to have another word with Ken Clarke this Thursday 25 January to seek to persuade him to accept whatever package you and the Chancellor agree on tomorrow.

- have a word with John MacGregor next Monday 29 January, by which time we should know definitively the IAC package but he may still be finalising his paper for circulation that evening. Again the aim would be to persuade him to accept whatever staging package you agree with the Chancellor.

Rec.

Paul Gray

23 January 1989

c: Review (MJ)

A CC Back up A

219-5

PRIME MINISTER

1990 REVIEW BODY REPORTS

Following your various meetings this week the Cabinet Office are coordinating the work by officials on possible options. I have had several chats with Richard Wilson about this. It is clear that this year's assessment of the options is going to prove very complex.

A first draft of a paper for Ministers will be available next Tuesday for your meeting the following day with the Chancellor, Chief Secretary and Cabinet Office. But in the meantime you may like to glance over the weekend at the attached summary by Richard Wilson of the work in progress. The table at the end summarises the main options being looked at; at first sight it is a bit daunting but I think it provides a helpful framework.

The kind of central case you were after was 7.5 per cent average year on year cost. The table shows that this will be difficult to achieve by giving increases from 1 April of as high as 7 per cent; although Richard's note (paragraph 4) points to various ways this aim could be brought closer.

But in any event I am currently minded to think that giving increases from 1 April of 6.5 per cent might be the best approach. This would provide a bit more scope, if it was desired, to give higher figures to particularly favoured groups e.g. nurses and GMPs. 6.5 per cent is also a better general signal on pay and ties in with the present ambulance offer.

You will want to consider whether the table embraces the main options you want to be considered; and whether there are any approaches on which you would want the further work to be concentrated.

Paragraph 6 of Richard's note seeks to explain the basis of the proposed 2 per cent contract differential for GMPs (and 1 per cent for GDPs). I am not sure we have yet got to the bottom of

Am I still happy for this to be an option

I agree

the reasoning, and I remain to be persuaded that the bulk of the 2 per cent would be genuinely performance-related rather than fairly readily available to most doctors. But we will be pursuing this point further early next week.

Is there any further guidance you want to give for the working up of the first draft of the Ministerial paper?

Ken Clarke is really asking

for less work of the doctors.

Heb.

I doubt very much whether

they will be doing all the extra work

(PAUL GRAY)

19 January 1990

a:\economic\1990 (srw)

alone. We shall have to

*consider the 0.5 initial
option.*

mt

From: R T J Wilson
19 January 1990

P 03609

MR GRAY

cc Sir Robin Butler

1990 REVIEW BODY REPORTS

1. I promised to report progress on the Review Body reports.

Options

2. We are working on a variety of options, summarised in the table attached. In each case there would be an initial tranche of the basic increase for the group concerned (eg 6%, 6.5%, 7% and so on) on 1 April 1990, with the rest (if any) of the basic increase and the extra "add-ons" being paid from 1 January 1991. A lot more remains to be done and the figures should be treated with caution; but the table gives some idea of what is likely to emerge.

Possible Abatements

3. The only abatement which is assumed in the table is that Ministers will wish to reject again the DDRB recommendations which they rejected last year, on the extra £1,000 for consultants and the A+ distinction awards. This saves 0.6% of the pay bill for doctors and dentists in 1990-91.

4. We envisage that the paper for Ministers will consider what scope there is for bringing the figures for the "7% option" down to around 7.5%. ^(ie around cost) At present they range from 7.5% up to 8.3% on the assumption of staging the balance of the awards from 1 January 1991.

- i. It looks as though it should be possible to bring the

AFRB figures down to 7.6% under this option if Ministers are prepared to defer the "retention incentives" to April 1991. The MOD regard this as the most promising approach if there has to be abatement.

ii. There should be no difficulty about bringing the TSRB reports down to 7.5% under this option (for instance by delaying the scale restructuring until 1 August 1990).

iii. It is less easy to see what abatement would bring the NHS groups down to 7.5% under this option. The neatest device would be to defer payment of the balance of the award until 1 February, rather than 1 January, 1991 as illustrated in the table. But this would look contrived.

Mr Clarke's Option

5. I understand that Mr Clarke will want the paper for Ministers to set out a further option for the NHS groups as follows:

ie that he agreed for in yesterday's meeting.

- i. nurses to receive their award in full, including "add-ons", from 1 April 1990;
- ii. hospital doctors to receive 7% from 1 April 1990 with the remaining 2.5% being paid from 1 January 1991;
- iii. GMPs to receive 9% from 1 April 1990, with 2.5% from 1 January 1991. This would be the same as for the hospital doctors, plus a 2% differential for the introduction of their new contract from April;
- iv. GDPs to receive 8% from 1 April 1990, with 2.5% from 1 January 1991. This would be the same as for hospital doctors, plus a 1% differential for the new contract which is expected to be introduced from October this year.

6. You asked what the 2% differential for GMPs would represent. My understanding is that it is the DDRB's assessment of the amount which needs to be set aside to pay GPs for the extra work which they will be expected to undertake under their new contracts. It would include 0.3% for meeting the lower targets which are built into their contracts. The remaining 1.7% would be payment for a variety of activities (eg minor surgery, health promotion clinics) which GPs have hitherto only carried out on a voluntary, unpaid basis but which in future they will be encouraged to do and will be paid for doing. The money would be performance-related in the sense that individual GMPs would only get it if they did the work; but there would be no specific targets for the activities. In addition, GPs would be entitled to earn a further 0.8% on top of the 2% if they met the higher targets which are built into the contracts (taking the overall potential increase for GMPs to 12.3%).

*Then how
are we to
judge.*

Next Step

7. We will continue work on these options on Monday and Tuesday, with a view to letting you have a first draft of the paper for Ministers on Tuesday evening. It would be helpful to know if there are any points on which the Prime Minister would wish us to concentrate or to elaborate.

RTJ

R T J WILSON
19 January 1990

OPTIONS FOR STAGING REVIEW BODY REPORTS

	NURSES	PAMs	DDRB	AFRB	TSRB
6 PER CENT OPTION					
6% from 1 April 90					
Rest 1 Jan 91	6.9	7.0	<i>General Medical Practitioner</i> HCHS 7.2 GMP 7.6 GDP 7.1 <i>Hospital Doctors</i> CS 6.8 AF 6.9 J 6.7 <i>Deputies</i>	7.3	
6.5 PER CENT OPTION					
6.5% from 1 April 90	7.3	7.4	HCHS 7.5	7.7	CS 7.3
Rest 1 Jan 91			GMP 8.0		AF 7.3
			GDP 7.5		J 7.2
7 PER CENT OPTION					
7% from 1 April 90	7.7	7.8	HCHS 7.9	8.1	CS 7.8
(i) Rest 1 Jan 91			GMP 8.3		AF 7.7
			GDP 7.9		J 7.5
(ii) Rest 1 Feb 91	7.5	7.5	HCHS 7.6	7.8	CS 7.6
			GMP 7.9		AF 7.5
			GDP 7.6		J 7.3
8.5 PER CENT OPTION					
8.5% from 1 April 90	8.8	8.9	HCHS 9.0	9.2	n.a.
Rest 1 Jan 91			GMP 9.5		
			GDP 9.0		
9 PER CENT OPTION					
9% from 1 April 90	9.2	9.3	HCHS 9.4	9.6	CS 9.3
Rest from 1 Jan 91			GMP 9.8		AF 9.2
			GDP 9.4		J 8.6

Draft paper for Ministers: 23 January 1990

1990 REVIEW BODY REPORTS

The five Review Bodies have now reported. Their recommendations are as follows:

Review Body	Pay bill increase in 1990-91 %	Range of increase %	UK public expenditure cost(1) £m
Armed Forces (AFRB)	10.9	4.1 - 23.0	458
Doctors & Dentists (DDRB)	10.9 (2)	9.5 - 15.2	424
Professions allied to medicine (PAMs)	10.1	8.7 - 14.7	61
Nurses and midwives (NRB)	9.6 (3)	8.9 - 16.0 (4)	630 (4)
Top salaries (TSRB)	10.2-11.0	7 - 18.7 (3)	10

(1) The figures for public expenditure cost differ from those in the Review Bodies' reports. Their figures do not include some costs which count as public expenditure.

(2) Payments to GPs for achieving higher targets for immunisation and cervical screening are recommended by the Review Body as outside intended average remuneration and are not included. They would add some 0.3% to the total pay bill.

(3) The range depends on whether the extra 10% recommended for senior circuit judges and below is phased over 2 years or 3.

(4) A very few young unqualified staff in London would receive higher increases of up to 19.7%. The figure of £630m. includes the cost of flexible pay schemes for nurses, recommended by the Review Body. It does not include the cost of any corresponding increases in bursaries from September 1990 under Project 2000 which could cost up to £1.5m., nor does it include the cost of any increases for senior nurses which are to be the subject of a supplementary report by the NRB in the Spring and could cost up to £7.5m. plus £8m. for restructuring.

PAY AND PRICE MOVEMENTS ELSEWHERE

2. The Review Bodies' recommendations compare with:

i. a year-on-year increase in underlying average earnings for the whole economy of 9 1/4% in November;

ii. an average level of settlements for the whole economy since the start of the pay round of 8 3/4%. In the private sector the figure is 8%;

iii. a year-on-year increase in the RPI of 7.7% in December;

iv. the final offer to ambulance workers of 9% over 18 months from 1 April 1989, equivalent to 6.5% for the 12 months from 1 April 1989 followed by 7% for the 6 months from 1 April 1990. With additions for London and a minority of staff with paramedical skills, the total pay bill increase will be just over 10% over the 18-month period;

v. the remit to the Interim Advisory Committee on teachers' pay which is based on a 7.6% increase in the pay bill.

3. Ministers will also wish to have in mind the possible implications of their decisions for health service groups not covered by the Review Bodies (the PES provision for Whitley negotiations for these groups assumes a 7.5% increase in their pay bill) and for civil servants in executive and clerical grades, both of which have 1 April as their settlement date, as well as possible wider repercussions.

THE OPTIONS

4. One option is acceptance of the awards in full. Ministers may however wish to consider other possibilities as follows, as well as options for financing the cost in excess of provision:

- i. abatement of the basic increases;
- ii. staging of the basic increases to give a set percentage from 1 April 1990 and the balance of the basic increase plus additional payments from 1 January 1991;
- iii. as in ii but with abatement or further staging of some additional payments where necessary to bring the overall increase in the pay bill in 1990-91 within a given percentage;
- iv. different treatment for different groups (eg.the nurses).

ABATEMENT

5. One option is to abate the recommendations, either as to the basic increases or the additional payments proposed over and above the basic increases. TSRB apart, there has been only one abatement across the board (for the DDRB in 1981) and that was restored in 1984. In addition last year the Government rejected the DDRB's recommendations on extra increases at the top of the consultants' scale and in the size of A+ awards for consultants. Abatement is traditionally regarded as the least acceptable method, not only to the professions but to the Review Bodies themselves who in recent years have set considerable store by the fact that each year's recommendations have been in full payment by the date of the following report.

STAGING

6. A second option is to stage the implementation of the recommendations so as to reduce the size of the increase from April 1990, and the cost in the year 1990-1991.

7. Ministers may wish to consider the possibility of staging the basic increases for each group by a set percentage from

April 1990 with the balance of the basic increase (if any) plus all additional payments being paid from 1 January 1991. The results of this approach are illustrated in Table A overleaf which shows what the percentage increase in the pay bill for 1990-91 would be, depending on the amount paid from April 1990.

STAGING PLUS ABATEMENT

8. A third possibility, if Ministers wished to follow a staging option as shown in Table A while bringing all the increases within a particular percentage, would be to stage further or abate some of the additional payments from January. The scope for this is relatively limited however since the sums involved in many of the additional payments is relatively small in terms of the overall pay bill for the group concerned.

AFRB

9. The AFRB propose the following additional payments on top of a basic increase in the range of 8.7-9.5%:

	% of pay bill
a new system of retention incentives	1.3
an increase of 0.5% to 10.5% in the X factor reflecting differences between service and civilian conditions not taken directly into account in assessing pay comparability	0.5
restructuring of officers' flying pay to encourage retention	0.1

TABLE A
 OPTIONS FOR STAGING REVIEW BODY REPORTS

	NURSES	PAMs	DDRB	AFRB	TSRB
6 PER CENT OPTION					
6% from 1 April 90			HCHS 7.1		CS 6.8
Rest from 1 Jan 91	6.9	7.0	GMP 7.6	7.3	AF 6.8
			GDP 7.1	(6.8)	J 6.8
			overall 7.3		overall 6.8
6.5 PER CENT OPTION					
6.5% from 1 April 90	7.3	7.4	HCHS 7.5		CS 7.3
Rest from 1 Jan 91			GMP 8.0	7.7	AF 7.2
			GDP 7.5	(7.2)	J 7.3
			overall 7.6		overall 7.3
7 PER CENT OPTION					
7% from 1 April 90	7.7	7.8	HCHS 7.9		CS 7.8
Rest from 1 Jan 91			GMP 8.3	8.1	AF 7.6
			GDP 7.9	(7.6)	J 7.7
			overall 8.0		overall 7.7
8.5 PER CENT OPTION					
8.5% from 1 April 90	8.8	8.9	HCHS 9.0		CS 7.8
Rest from 1 Jan 91			GMP 9.5	9.2	/9.3
			GDP 9.0	(8.7)	AF 8.5
			overall 9.1		J 8.8
					overall 8.5
					/9.0
9 PER CENT OPTION					
9% from 1 April 90	9.2	9.3	HCHS 9.4		CS 9.3
Rest from 1 Jan 91			GMP 9.8	9.6	AF 8.8
			GDP 9.4	(9.1)	J 9.2
			overall 9.5		overall 9.2

NOTES

The table assumes that all recommended additional payments are paid in full from 1 January 1990 without abatement, except for the following:

- i. it is assumed that Ministers will wish to reject again the DDRB recommendations which they recommended last year, on the extra £1,000 for consultants and the A+ distinction awards (see para 19);
- ii. it is also assumed that the introduction of the new performance pay scheme for grades 2 and 3 in the Civil Service is deferred until 1 April 1991, but that the restructuring of the bottom of the grade 3 scale takes place from 1 April 1990;

iii. for the judiciary it is assumed that the balance (if any) of the basic increase plus the additional 10% for senior county court judges and below is phased over three years with one-third paid on 1 January 1991;

iv. the figures in brackets for the AFRB show the effect of deferring the introduction of retention incentives until 1 April 1991 rather than 1 January 1991.

10. The retention incentives are bonus schemes proposed in response to present manning difficulties. This argues for their introduction from 1 April 1990. But they could be deferred until 1 January 1991 under a staging approach or even until 1 April 1991 in order to reduce the pay bill increase in 1990-91. The effects of deferring the incentives until April 1991 are shown in brackets in the table.

11. The pay rates recommended by the AFRB include an increase of 0.5% in the X factor as a token of their concern that the relative disadvantages of service life have increased. The additional 0.5% could be paid either as part of, or additional to, the first stage payment or as part of the second stage payment from 1 January 1991. Table A assumes that it is paid as part of the second stage payment from 1 January 1991.

TSRB

12. The TSRB have recommended a basic 7% increase for all groups. They have also recommended a number of additional payments. The following table lists these, and the pay bill increase resulting from them:

	% increase in TSRB pay bill
£1,200 addition to Grade 3 London Allowance with consequential for Grade 2	0.61

Restructuring of bottom of Grade 3 and Grade 2 scales	0.23
New performance pay scheme	0.48
Additional 2.75% for 2 and 3 star officers	0.23
Additional 10% for senior circuit judges and below if phased over 2 years as recommended (if phased over 3 years which they mention as a possibility: 1.67%)	2.46

13. The three groups of staff covered by the TSRB need to be considered separately.

Senior civil servants

14. It would make sense to defer the new performance pay scheme proposed by the Government to 1 April 1991. But there would be serious difficulties in deferring the proposed restructuring of the bottom of the Grade 3 scale because that change is essential to ease the problem of inverse differentials which now exist between Grade 3 and the grades below, which will be made worse on 1 August when those grade receive their next pay increase. That suggests that one option would be staging as follows:

- 1 April 1990 basic increase plus scale restructuring;
- 1 January 1991 increase in London allowance for Grade 3 (and consequential for Grade 2);
- 1 April 1991 introduction of new performance pay scheme.

The costings in Table A assume that as part of the arrangement the round of discretionary increments which would otherwise be paid this October under the old performance pay scheme would be dropped.

15. It would be possible to reduce the first-year cost further by

deferring the scale restructuring to 1 August 1990 (though not beyond) which would save 0.25 per cent, or by deferring the increase in London allowance to 1 April 1991 which would save 0.5 per cent.

Senior military officers

16. Senior military officers are more straightforward. Table A assumes that they receive on 1 January 1991 the balance of the TSRB recommendations over and above the amount paid on 1 April 1990.

Judiciary

17. The TSRB have themselves suggested staging the additional 10 per cent proposed for groups 5 and 7 of the judiciary, over either two or three years. Their preference is for the former. Table A assumes phasing over three years with one-third of the balance over and above whatever is paid on 1 April 1990 being paid on 1 January 1991. This would imply an increase in the judicial pay bill in 1990-91 of roughly the same amount as for the other two TSRB groups.

18. Ministers will wish to decide whether this staging is acceptable and, if so, the basis on which the remaining two payments should be made. Perhaps the most obvious basis would be payments on 1 January 1992 and 1 January 1993, but other combinations would be possible (eg 1 September 1991 and 1 April 1992 which would complete the process by the final date envisaged by the TSRB).

DDRB

Consultants

19. Ministers will wish to decide whether to reject the recommendation to reinstate elements of the consultants' package which were rejected last year:

- i. an increase of £1,000 at the top of the consultants' scale. This would increase the salary of consultants at the

maximum by 12.4%. All distinction awards would as result increase by 12.4% since their size is related to the consultant maximum.

ii. an increase in the A+ distinction award from 95% to 100% of the consultant scale maximum. Consultants enjoying this award as well as the increase at the top of the scale would get 15.2%.

These recommendations were rejected last year on the ground that improving the long-term career structure for hospital doctors could be achieved better by the creation of 100 additional consultant posts over 3 years, promised in "Working for Patients". The Review Body this year says that the Government's reasons "are not clear and compelling, and we do not find the Government's explanation convincing". Ministers may nonetheless feel that acceptance of the recommendations this year would imply that rejection last year was wrong. The pay-bill cost of the recommendations would be 0.6%.

Other DDRB groups

20. The other additional payments recommended by the DDRB, with an indication of their pay bill effect, are:

	Pay bill effect %
i. Higher increases for General Medical Practitioners (11.5%) than for hospital doctors (9.5%), because of their new contract.	0.6
ii. Higher increases for General Dental practitioners (10.5%) because of their new contract.	0.09
iii. £1,000 additional increment on top of the associate specialists' scale, giving total increase of 12.8%.	0.02

21. The additional increment of £1,000 for associate specialists is intended to recognise their responsibilities and long hours. Around 650 would be eligible with effect from 1 April 1990 at a basic cost of some £650,000. Ministers will wish to consider whether to agree the recommendation. The reason for rejecting a similar recommendation on consultants last year (see para 19 above) is not applicable to associate specialists since no extra posts have been created.

NURSES AND PAMs

22. In addition to an across-the-board basic increase of 9% the NRB recommends the following payments which would add 0.6% to the pay bill.

	GB pay bill effect (%) (additional cost fm)	
Increases in pupil/student pay of 12.6-13.4%	0.28	(15.6)
Changes to London pay representing an average increase of 12.5% but with widely varying effect	0.24	(13.3)
Increasing the psychiatric lead from £275 to £350	0.19	(10.5)
Higher increases ranging from 9.4% to 11.4% for the lowest paid staff	0.13	(7.2)
Increases in standby and on-call allowances of 30-51%	0.04	(2.1)

23. For PAMs the NRB recommends additional payments as follows:

Increases of 10.1 - 10.8% for the lowest paid	0.04	(0.20)
Same rates of London allowance as for nurses, representing an average increase of 21.3% but with widely varying effect	0.46	(2.4)
Standby and on-call rates increased by 9- 24%	0.12	(0.6)

24. The case on merits for these payments to nurses and PAMs is at best mixed and could if required be spelled out at length. Ministers will however wish to consider whether the case for rejecting individual payments is outweighed by the political arguments, given also the relatively small pay bill effects in percentage terms.

SPECIAL TREATMENT FOR PARTICULAR GROUPS

25. Ministers will wish to consider whether there should be special treatment for any Review Body groups.

NHS Groups

26. The Secretary of State for Health proposes that NHS groups should receive special treatment as follows:

- i. nurses and PAMs to receive their award in full from 1 April 1990;
- ii. GMPs to receive 2% above whatever increase is agreed for other Review Body groups from 1 April 1990, with the balance from 1 January 1991. They would thus receive a 2% differential over hospital doctors in respect of the introduction of their new contract from April;
- iii. GDPs to receive 1% above whatever increase is agreed for other Review Body groups from 1 April 1990, with the balance from 1 January 1991. This would give them a 1% differential over hospital doctors for the new contract which is expected to be introduced from October this year.

Nurses

27. In deciding how to treat the nurses and PAMs Ministers may wish to bear in mind:

- i. the cost. The options for financing the cost of full implementation, in excess of existing provision, are

considered in para 36 onwards below. Compared with the 7% option in Table A the additional cost of these proposals would be some £140 million for nurses and PAMs;

ii. the rationale. There would have to be a clear rationale which ring-fenced the decision and prevented it being taken as the "going rate" for other groups in the public and private sectors. The Secretary of State for Health believes that the rationale should be the need to recruit and retain a sufficient number of nurses to meet the NHS' requirements: the NRB report anticipates "difficult times ahead" (para 22), both in terms of falling numbers of school leavers and increasing demands on the NHS, in particular of an ageing population. Ministers will wish to consider whether this argument could be confined to the nurses and PAMs;

iii. non-Review Body groups. Ministers will wish to bear in mind the possible repercussions for non-Review Body groups in the NHS and elsewhere who will wish to follow the nurses as a precedent.

Doctors and dentists

28. The higher basic increase for GMPs, 2% above hospital doctors, is the amount in the DDRB's recommendations which is intended to pay the average GP for the additional work expected under the new contract coming into effect on 1 April. The new contract is performance-related in the sense that individual GPs will be paid only if they do the work and attract and retain patients on their list. The contract will therefore result in considerable variations in pay as between individual GPs. For instance, those hitting specific targets for vaccination, immunisation and cervical cytology will be paid more than those who do not; and there will be financial incentives to run health promotion clinics, carry out minor surgery, keep up to date with post-graduate education and provide child health surveillance services. In addition GPs will be able to earn a further 0.8% on top of the 2% differential if

I still
find this
meaningful

RKC
2/1

they meet higher targets for vaccination and immunisation and for cervical cytology: this takes the overall potential increase for GPs from 11.5% to 12.3%.

29. In the case of GPs the additional 1% is similarly intended to compensate dentists for the extra work which they will be encouraged to undertake under their new contracts from 1 October.

Special treatment for armed forces

30. If it were to be decided that particular NHS groups should be given special treatment Ministers might also wish to consider whether this would strengthen the case for awarding the armed forces the increase in the X factor and the introduction of retention incentives with effect from 1 April 1990.

CLINICAL ACADEMIC STAFF

31. By convention the award for HCHS doctors and dentists is also applied to clinical academic staff working in the NHS but employed by the universities. They number about 3,500 (full and part-time) and the full-year cost would be £9.4 million on a UK basis. The universities have some 5% in their existing plans for this group, a shortfall of £4.45 million in 1990-91 if the award were implemented in full from 1 April 1990.

FINANCING

32. There should be no difficulty in financing the TSRB increases within current provision except for the award to the judiciary.

33. In the case of the judiciary, the cost of the increase will exceed current PES provision by £400,000 in 1990-91. The Lord Chancellor's Department would want to make a claim on the Reserve to meet this requirement. The Treasury would want the amount to be absorbed within existing provision.

34. The Ministry of Defence have confirmed that the AFRB award can be afforded within the provision made in the Estimates for

1990-91.

35. The biggest requirement for financing arises on the NHS groups. The total cost of the recommendations in excess of the 5 per cent currently provided in PES for these groups' pay is £543 million (UK) (£442 million in England). Of this, £443 million is for the cash-limited hospital and community health services and £100 million for the family practitioner services which are not entirely cash-limited.

Financing options for the NHS

36. The excess cost falling on the family practitioner services would come out of the Reserve, except for £33.5 million (England) which was provided for related primary care development and which the Secretary of State for Health agrees should go towards the award costs. (The comparable UK figure is £41 million.)

37. The hospital and community health service excess cost could be met either from within Health Authorities' existing allocations or from the Reserve. There are the following options:

i. meeting the cost in full from Health Authorities' existing allocations. However, this was not the basis of the health PES; and Authorities could not accommodate extra costs on this scale without massive reductions in patient services. This solution has been ruled out in recent years;

ii. meeting the cost in full from the Reserve. This would be helpful in securing co-operation on the health review changes, but might give the wrong signal to the Review Bodies for the future by removing the pressure on them to moderate their recommendations;

iii. spreading the cost between the Reserve and Health Authorities' allocations. This could send the right signals to the Review Bodies, without unacceptable consequences for

patient services. [The Chancellor of the Exchequer and the Secretary of State for Health agree that a contribution of [up to] £35 million (England) (£44 million UK) from Health Authority cost-improvement programmes would be appropriate.]

PENSIONS

38. In accordance with current practice, pensions should follow salary rates in payment and not any notional salaries. If the Government decides to defer or stage any Review Body awards, members of the review body group in question who retired during the period affected would suffer a permanent loss of pension. In particular, a pay award lower than inflation would mean that the pensions of those retiring before 1 April 1990 would overtake those who retired after that date. This effect is more marked in the case of the Armed Forces Pension Scheme.

TEACHERS' PAY

39. Ministers will wish to ensure that if there are differences between the treatment of teachers and of the Review Body groups they are readily defensible. The Department of Education and Science advise that overruling the IAC's recommendations would require an affirmative resolution in both Houses. The IAC were given the remit of a 7.6% increase but in their last two reports have exceeded their remit.

TIMETABLE AND NEXT STEPS

40. There is no Parliamentary process for the Review Body reports except that an Order in Council is necessary to maintain the differential between the salaries of the Lord Chancellor and the Lord Chief Justice in accordance with declared Government policy. This requires an Affirmative Resolution in both Houses. The Order will have to be made in April if the Lord Chancellor is to receive his increase at that time. The debate on the resolution has in the past created an opportunity for debate on the whole TSRB report.

41. The intention is to remove the requirement by including a

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provision in the forthcoming Parliamentary Pensions Bill. This Bill has now been drafted but has yet to be introduced. Its timing is still unclear since it is awaiting a slot in the timetable and a decision about a slight broadening in its scope to include another provision. But the Bill seems unlikely to receive Royal Assent before 1 April.

CABINET OFFICE
23 January 1990

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SUBJECT
CC MASTER



file

20.(a-b)
file

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

18 January 1990

Dear Andy,

1990 PAY REVIEW BODIES

The Prime Minister had a discussion this morning with your Secretary of State and the Chancellor of the Exchequer about the handling of the 1990 Pay Review Body Reports covering the medical professions.

I should be grateful if you and copy recipients would ensure that this letter is not copied and is seen only by named individuals with a strict need to know.

The Prime Minister said that she and the Chancellor had had a first discussion about the recommendations of the Review Bodies the previous day. Their conclusion was that it would not be appropriate to consider abatement of the recommendations for basic pay increases. However these recommendations were alarmingly high, and posed a major threat to the conduct of economic policy, and it was therefore necessary to stage the basic pay increases. As regards the recommendations for "add-ons" these would be looked at case by case; in some instances recommendations might be rejected, but others might be accepted or staged. As between the different reports, if any of the pay groups were to be given relatively more favourable treatment it should be the nurses. The overall aim for the Government's decisions on the Review Bodies might be to restrict the aggregate cost increase in 1990-91 to some 7½ per cent, although there might be some of the recommendations for add-ons that could be regarded as additional to that figure.

Your Secretary of State said he strongly agreed that abatement of the basic recommendations should be ruled out. His own preference would be to meet the recommendations in full, but he recognised the case for staging. He did not however think this should be applied equally to all the medical groups. He felt that nurses should be exempted from staging, including the proposed increases for student nurses. If faced with a choice he would prefer to find some of the money for the nurses' settlement from within existing budgets rather than to stage the awards; indeed not fully funding the awards would give the right signal. As regards doctors and dentists, he was entirely content to implement staging for hospital doctors, but GPs and dentists presented a greater problem. A key priority for them was to secure successful implementation of the new contracts. One particular issue on doctors concerned the renewed recommendation from the Review Body for an extra £1,000 for consultants at the

top of the scale and improvements to distinction awards; he felt it would be right for the Government once again to reject these recommendations.

In discussion the following points were made:

- It was essential to emphasise the trade-off between high pay awards and the numbers of staff who could then be afforded. Higher pay meant fewer jobs.
- Nurses represented a large proportion of the total cost of the Review Body groups, and if there was no staging at all for them it would be extremely difficult to keep the overall annual costs down to around the 7½ per cent figure.
- Giving relatively more favourable treatment to GPs and dentists would make that objective even harder to achieve. One possibility would be to stage the basic 9½ per cent recommendation for all doctors and dentists, but not to stage the extra amounts for GPs and dentists recommended by the Review Body in recognition of introduction of the new contracts. On the other hand there were dangers in tying the Government's response too closely to the contracts issue.

Summing up this part of the discussion the Prime Minister said that the Cabinet Office were now co-ordinating work on a range of detailed options on the broad approach she had outlined at the beginning of the discussion. Further consideration should await the results of that work. It was agreed that the aim should be to complete consideration of the reports so that announcements could be made on Thursday 1 February.

Discussion then turned to the links to and implications for the ambulance dispute. The Prime Minister suggested that, with the Government reaching decisions on Review Body pay for 1990-91, it might be appropriate for NHS management to think in terms of a two-year deal for ambulance staff and other non-Review Body staff covering both 1989-90 and 1990-91. Your Secretary of State said he could see a case for such an approach and would consider it further. Careful consideration would need to be given to the size of the settlement envisaged for non-Review Body staff for 1990-91, but his initial reaction was to aim for around 7½ per cent. A higher figure might however prove necessary. The Prime Minister commented that pay costs for these groups would need to be strictly controlled.

I am copying this letter to John Gieve (HM Treasury), and to Sir Robin Butler and Richard Wilson (Cabinet Office).

Andy McKeon, Esq.,
Department of Health.

*Yan,
Paul*
(PAUL GRAY)

PRIME MINISTER

BILATERAL WITH MR CLARKE: 18 JANUARY

You are seeing Mr Clarke tomorrow to discuss the medical Pay Review Bodies and the links with the ambulance dispute. The Chancellor will also be present.

Review Bodies

I have taken the liberty this evening of alerting Mr Clarke's Private Secretary to the broad approach you have discussed and agreed with the Chancellor. I was not able to get a very clear idea of Mr Clarke's initial thoughts, but I think they probably are:

- abatement would be disastrous;
- he would prefer to pay the recommendations in full from the beginning of the year;
- but, with some reluctance, he recognised that there may be wider policy considerations that point to staging;
- he is particularly concerned not to upset the GPs given the impact this might have on the passage of the NHS Bill.

I am slightly surprised if, even within the context of Health Service issues, Mr Clarke thinks the best approach is to pay the awards in full. I put to his office the point that his own position with the ambulancemen could be made more difficult by immediately agreeing to substantially higher figures for the Review Body groups.

Now Mr Clarke has advance warning of your views you will want to consider how to handle the discussion. I suggest you take

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the initiative by setting out your preferred approach. You might want to say that you do not rule out the possibility that, within the various staging arrangements, there could be relativities giving one group more than another. But your instinct was to give top priority to the nurses rather than the doctors.

Mr Clarke will not have been fully briefed on the non-medical Review Body reports, so you may want to limit your comments to those within his area of responsibility.

Link with the Ambulance Dispute

This is an important dimension. The Cabinet Office have been giving it some thought and Robin Butler's note below raises one possibility, namely linking the Review Body announcements with steps towards a two year deal for ambulancemen. I think this merits consideration, although the relative timing may still be a bit out of phase. Ambulance pay for 1990-91 cannot be considered separately from the other non-Review Body health staff and it would be unusual to start those negotiations as early as January/February. That said, tying all the various issues together could be the best way of giving the ambulancemen a face-saving formula of settling the 1989-90 award without the management making any significant concessions. But this would only be possible in my view if the Review Body awards are trimmed back by staging.

The alternative approach to the ambulancemen would be simply to let them stew, by pressing ahead with the Review Body announcements and leaving them to pursue an ever more out-dated pay claim. But the relative attractions of that approach depend critically on movements in public opinion. Its attractions are increased if the ambulancemen continue to lose some degree of public support.

RCCG.

PAUL GRAY

17 January 1990



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBIN BUTLER

SUBJECT CC MASTERS

1990 REVIEW BODY REPORTS

The Prime Minister was grateful for your minute of 16 January which she discussed with the Chancellor this afternoon.

The Prime Minister and Chancellor concluded that the option of abating the Review Body recommendations for basic pay should not be pursued. But it would be necessary to consider staging the awards. Detailed consideration should be given to the various recommendations for 'add ons'; these needed to be looked at case by case and in some instances, for example the renewed recommendation for an extra £1,000 for consultants and in relation to their distinction awards, abatement might be appropriate. In other instances staging could be appropriate.

The Prime Minister and Chancellor wanted the detailed work by officials on possibilities for staging to cover various options. The central cases should focus on an average year on year cost of around 7½ per cent (possibly 7.6 per cent to coincide with the remit for the IAC on teachers' pay). There might be some of the more meritorious aspects of the add on proposals which could be regarded as additional to the 7½ per cent cost limit. Alternative options, both lower and higher than the 7½ per cent figure, should also be costed. Within the different Review Body groups the top priority should probably be given to the nurses. As regards the details of staging, attraction was seen in leaving implementation of the final step until January 1991. There should be no question of pensionable pay differing from actual pay levels.

The Prime Minister and Chancellor did not discuss in detail the funding of the awards. But they commented that higher pay must have consequences for the number of people who could be employed.

On the timetable, the Prime Minister and Chancellor wanted to be able to reach decisions on teachers' pay in parallel with the Review Body groups, and to be in a position to make the combined announcements on 1 February.

I am sending copies of this minute to John Gieve (HM Treasury) and Richard Wilson (Cabinet Office).

Paul

PAUL GRAY
17 January 1990

Ref. A090/130

PRIME MINISTER

1990 REVIEW BODY REPORTS

I promised that when I had spoken to the Permanent Secretaries concerned I would let you have a note about the options to be considered for this year's Review Body recommendations as a basis for your discussion with the Chancellor of the Exchequer tomorrow.

2. We intend to carry out the work on a timetable which keeps open the option of an announcement on 1 February. You may wish to discuss with the Chancellor and subsequently Mr Clarke whether this is the best timing. It would be possible to defer the announcement until mid-February if you wanted, but not beyond that.

Abatement

3. One option would be to abate all the Review Body reports. Apart from the TSRB this has only been done twice (for the DDRB in 1981 and to a limited extent last year) and it is traditionally regarded as the least acceptable method, not least to the Review Bodies themselves.

4. Nonetheless, given the high level of the recommendations this year and the need to bring down inflation, you may wish to see possible levels of abatement set out in the paper for Ministers. The possibilities include abating awards for all groups to:

- i. 6.5%, the basic increase offered to ambulancemen (although in their case the offer relates to 1989-90); or
- ii. 7.6% which would provide a link with what the Government has already said that it would be prepared to accept when setting the remit to the Interim

Advisory Committee on teachers' pay. This would be approximately the rate of inflation without making a direct link; or

iii. 9%, the increase offered to ambulancemen for 18 months, or a little below.

5. In practice if you decided to abate the awards you might wish to have different levels of abatement for different groups. Even if you decided against abatement generally, you might want to abate particular recommendations (as you did last year with the doctors and dentists). One approach might be to make the biggest abatement in the TSRB groups, reducing them to something like 7.6% or even 6.5%. The NHS groups might then suffer a smaller abatement to 9% (or even 9.6% which would leave the nurses' award untouched but produce moderate reductions for doctors and dentists and PAMs). A decision would be needed about whether the armed forces should be treated like the TSRB groups or the NHS groups.

Staging

6. The alternative is to stage the awards. There are many possible variations and it is difficult to know what the best options would be until some preliminary work has been done. But as a first shot the paper for Ministers might usefully explore what staging would be needed for each group in order to bring the overall cost in 1990-91 down to:

i. 6.5%; or

ii. 7.6%; or

iii. 9% (or a little below).

In exploring these alternatives it would be important to try to preserve the main features of the awards while bringing down the

overall cost.

7. As with abatement, there could be different staging for and within each group. But you may wish to defer considering this until you see the results of the analysis.

Last year's award for doctors and dentists

8. On a detailed point the Government decided last year to reject the recommendation of the DDRB that there should be a £1000 addition to the top of the consultant's scale plus an increase in the rate of A+ distinction awards from 95 to 100%, in view of the expansion in consultants' posts agreed in the NHS review.

9. This year's report is critical of this decision and repeats the recommendations. If you agree we propose to make the working assumption that you will wish to reject the recommendations again on the grounds that the Government has already taken a view on them, although this will be subject to final decisions in the light of decisions on the DDRB report overall.

Teachers' pay

10. You will wish to ensure that if there are differences between the treatment of teachers and of the Review Body groups they are readily defensible. You will also wish to note that if you decide to overrule the IAC's recommendations this will require a Parliamentary procedure with an affirmative resolution^{in both Houses}. The Interim Advisory Committee on teachers' pay were given the remit of a 7.6% increase but in their last two reports have exceeded their remit. The IAC's recommendations should, we hope, be known a week today, ie on 23 January.

Funding

11. Finally, we assume that you will want the work by officials to cost the various approaches set out above and look at options for their funding. This applies particularly in the case of the

NHS groups where the 1990-91 PES provision contains no funding for any rises above the forecast GDP deflator of 5%.

Conclusion

12. I would be grateful to know whether you are content that work should be carried out on the basis set out above. It would be particularly helpful to know whether you and the Chancellor want us to explore the full set of options on abatement set out in paragraph 3, and of staging set out in paragraph 5, or whether there are some alternatives which you feel able to rule out at this stage or additional options which you would like us to consider?

13. I am copying this minute to the Chancellor of the Exchequer.

R.R.B.

ROBIN BUTLER

16 January 1990

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SIR ROBIN BUTLER

cc Mr Gray
Mr Monger

REVIEW BODY REPORTS
MEETING OF PERMANENT SECRETARIES
16 JANUARY 1990

1. The purpose of the meeting is:
 - i. to tell Permanent Secretaries about the main recommendations in the reports;
 - ii. to discuss timing and procedure;
 - iii. to set in hand work on the report to Ministers and in particular discuss the options which you will be putting to the Prime Minister in a minute after the meeting.

Recommendations in the Report

2. You will want to give those present, in strict confidence, a summary of the recommendations which the Review Bodies are likely to make, drawing on your talk with Mr Talintyre. I attach a copy of the note he gave you.

Timing and Procedure

3. The reports of the Review Bodies on Armed Forces' Pay and on Doctors' and Dentists' Remuneration have now arrived. The other Review Body reports, except the TSRB, should arrive during this week. The TSRB report is expected to arrive around 25 January. We hope to know what is in the report of the Interim Advisory Committee on Teachers' Pay on or shortly after 23 January although the report will only come in just before the end of the month.

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4. The timing of the announcement of the Government's decisions on the Review Body reports will need to be considered in relation to:

i. the ambulancemen's dispute. I understand from Mr Gray that the Prime Minister will probably discuss this with Mr Clarke later in the week, after she has had a first word with the Chancellor of the Exchequer at Wednesday's bilateral. You may wish to ask Sir Christopher France whether he knows what timing his Secretary of State will want for his Review Body reports.

ii. teachers' pay. As usual Ministers will need to decide whether to announce the decisions on the Review Bodies' and the IAC recommendations at the same time or whether to let the latter follow a week or two later. The timetable would appear to accommodate both options. Last year the Prime Minister was firmly in favour of simultaneous announcements. You may wish to ask Mr Caines whether his department still expects to know the IAC's recommendations by 23 January at latest, whether they have any idea what they will be, and whether his Secretary of State would favour a simultaneous announcement with the Review Bodies' reports.

5. Subject to these two points we are planning on the basis of an announcement on Thursday 1 February. This is what you indicated to the Prime Minister in your minute on Friday and we understand that she is content.

6. We therefore need to start work on a paper for Ministers as quickly as possible with a view to having a first draft ready by next Monday evening, 22 January, at the latest so that it may be considered by the Prime Minister, the Chancellor and the Chief Secretary at their meeting the next day. I will arrange for a small interdepartmental working group to start work immediately. It would be helpful if you could ask your Permanent Secretary

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colleagues to say who their representatives will be.

7. The aim will then be to have an informal meeting of all the key Ministers concerned in the week beginning 29 January in the normal way, with a view to putting the proposals formally to Cabinet on 1 February and announcing them that afternoon. The Prime Minister will wish to decide what the composition of the Ministerial group should be. But the main candidates are: the Lord President, the Chancellor of the Exchequer, the Lord Chancellor, the Secretaries of State for Wales, Defence, Employment, Northern Ireland, Education and Science, Health and Scotland, the Chief Secretary and the Minister of State, Privy Council Office.

Handling of Reports

8. I suggest that the reports of the Review Bodies should be passed to the private offices of the Permanent Secretaries as they come in (we shall have some to hand out at the meeting). This will enable us to get ahead quickly with work on the Ministerial paper; and will enable Mr Clarke to be ready for his discussion with the Prime Minister later this week. It will be all the more important this year to ensure that there are no leaks. You may wish to ask each Permanent Secretary to be responsible for deciding personally which officials should be allowed access to the reports and for maintaining in his office a list of those so authorised.

Report to Ministers

9. The main question to decide on the content of the paper for Ministers is what advice it should contain, both as to the abating or phasing of awards and as to their funding. Given the high level of recommended awards this year it would be very helpful to have early guidance from Ministers. You may wish to say that you will be putting a note to the Prime Minister after the meeting inviting her to give any guidance which she is able to provide at this stage. She may of course wish to have a word

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with the Chancellor at her bilateral on Wednesday before doing so.

10. I attach a draft minute for your signature setting out the main options which, after consultation with the Treasury, it seems to us that you should put to the Prime Minister. You may wish to hand it round and invite the views of the meeting. Sir Peter Middleton's comments would be particularly welcome: I understand that Treasury officials will be seeing the Chancellor at 4 pm today.

11. There may also be some difficult questions about how far the costs of awards should be met from within existing PES provision. We have not yet discussed this with departments for obvious reasons. If there are any preliminary reactions on funding it would be helpful to have them. It would also be helpful to have warning of any other points of particular difficulty which Permanent Secretaries think will need to be brought out in the paper for Ministers.

BJ.

R T J WILSON
16 January 1990

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PAY REVIEW BODY REPORTS

<u>Main recommendations</u>	<u>Estimated increase in paybill for 1990-91</u>	
	<u>£million</u>	<u>percentage</u>
DOCTORS AND DENTISTS	330(3)	10.9(1)(3)
(i) Basic increases:		
Hospital and Community Health Service	- 9.5%	
General Medical Practitioners	-11.5%(2)(3)	-
General Dental Practitioners	-10.5%	
(ii) Repeat of last year's recommendations for £1,000 addition to top of consultant scale (with consequential increases in awards) plus an increase of top award from 95% to 100% of scale maximum. Total increase of 15.2% for consultants with top awards and 12.4% for all other consultants on scale maximum. (Increase on 1989 recommended rates - 9.5%).		
(iii) £1,000 additional increment on top of associate specialists scale, giving total increase of 12.8%.		

Notes: (1) Increase on 1989 recommended rates - 10.3%.

(2) This is the intended increase in average net remuneration; the new contract in particular may result in considerable individual variations.

(3) Some target payments for GPs are recommended as outside intended average remuneration and are not included in these figures. Using DoH estimates of take-up and assuming pro rata expenses, these would add 0.8% to GPs average net remuneration and some 0.3% to the total paybill. [These figures could not be deduced from the report].

N.B. Figures in bold are in the report. The other figures can be deduced from the report except where otherwise noted.

Because of various uncertainties in basic manpower and cost data available for NHS in particular, inadvisable to use costings as a firm basis for funding decisions.

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	<u>£million</u>	<u>percentage</u>
NURSES	531	9.6

- (i) Across the board 9%.
- (ii) Higher increases for lowest paid of 9.4-11.4%.
Abolition of lowest age points, giving 16.7%.
(Extra cost of giving more than 9% to these 2 categories: £7.2m).
- (iii) Pupils/students: 12.6-13.4% (extra cost over 9%: £15.6m).
- (iv) Psychiatric lead increased from £275 to £350 (cost: £10.5m).
- (v) Standby and on-call rates increased by 30-51% and brought into line with PAMs' new rates (cost: £2.1m).
- (vi) London allowance: two-tier system retained. Supplements (% of salary) and weighting (cash sums) adjusted and brought into line with PAMs' new rates. Cost £13.3m, representing an average increase of 12.5% but with widely varying effect:

	<u>From</u>	<u>To</u>	<u>Individual increases⁽¹⁾</u>
Inner London (qualified)	9% + £981	5% + £1,550	£166-314
" " (unqualified)	5% + £981	5% + £1,300	£346-361
Outer London	5% + £981	5% + £1,100	£146-171
Fringe	2½% + £149	2½% + £200	£64-77

(vii) Flexible pay pilot scheme: max. available increased to £12m (not included in costings or pay increases).

(viii) Senior nursing grades to be subject of supplementary report in Spring; no provision made in this report for costs.

Largest increases in total pay for any significant numbers are for pupils/students in Inner London who would get about 16%. An appreciable number of unqualified staff in Inner London would get around 12-15% (with a very few young people getting up to about 20%).

Note (1): Subject to any abatement for those in NHS accommodation.

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	<u>£million</u>	<u>percentage</u>
PROFESSIONS ALLIED TO MEDICINE	52.6	10.1

- (i) Across the board 9.75%
- (ii) Higher increases for lowest paid of 10.1-10.8%. (Extra cost of giving more than 9.75%: £0.2m)
- (iii) Standby & on-call rates increased by 9-24% (Cost: £0.6m)
- (iv) London allowance: two-tier system retained. Supplements (% of salary) and weighting (cash sums) adjusted and brought into line with nurses' new rates. Cost £2.4m, representing an average increase of 21.3% but with widely varying effect:

	<u>From</u>	<u>To</u>	<u>Individual increases</u> ⁽¹⁾
Inner London (qualified)	5% + £1,267	5% + £1,550	£322-335
" " (unqualified)	5% + £1,267	5% + £1,300	£63-71
Outer London	5% + £757	5% + £1,100	£373-395
Fringe	2½% + £149	2½% + £200	£66-77

- (v) Health Departments' proposals for a pilot scheme of flexible pay supplements not supported.

Largest increases in total pay are for staff in Outer London, ranging from 11-15%. At the other extreme some unqualified staff in Inner London would get only 8.7-8.8%.

Note(1): Subject to abatement for those in NHS accommodation.

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	<u>£million</u>	<u>percentage</u>
ARMED FORCES	413	10.9

(i) Basic pay increase in range from 8.7-9.5%

(ii) Increase in 'X factor' of 0.5%

Combined effect of (i) and (ii), with usual tapering of 'X factor' for senior officers, is increases in military salaries of 9.0-10.0%. (Brigadiers down to Sergeants all within 9.0-9.3%; Corporals to Privates 9.4-10.0%). Average increase of 9.4%.

(iii) New system of retention incentives, based on MOD proposals, giving bonuses of £2,000 for non-commissioned personnel for 6 years' service and a further £2,000 for 9 years' service. (1) For Army officers, bonuses of £6,500 for 6 years' service and promotion to Captain and a further £6,500 for 9 years' service and promotion to Major, in each case with a commitment to serve a further 3 years. These bonuses account for an increase of about 1.4% on the total paybill.

(iv) Officers' flying pay restructured, as MOD proposed, to encourage retention of more experienced aircrew. Top rate increases from £12.77 to £17.97 a day. Increases in total pay for about half officers in receipt of flying pay of around 14-15%, and an overall range of 7-18%. (Paybill effect of 0.1%).

(v) Some changes in bases of food and accommodation charges, most particularly in removal of rates element in accommodation charges in England and Wales. (Overseas the rates element will be replaced by a "facilities charge" determined by MOD).

Lowest increases: University cadets - 4.1-6.0%.

Highest increase: Junior under 16½ (abolition of lowest age point) - 23.0%.

Note: (1) Amounts will vary for some personnel already serving to take account of their existing terms of engagement.

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TOP SALARIES

Basic increase of 7% for Permanent Secretaries and above and comparable top posts in armed forces (CDS and 4 star officers) and in judiciary (High Court Judges and above). Targeted increases for other groups of posts included below.

Civil Service	<u>£thousand</u>	<u>% on senior civil service paybill</u>
(i) Basic increase of 7% (not on London Allowance)	2,093	6.8
(ii) London Grade 3s an additional £1,200 (increases total from £4,100 at new min. to £4500 at max.)	445	1.5
(iii) All Grade 2s: £4,500 (7% basic plus additions) - as for London Grade 3 max. Extra cost over 7%:	114	0.4
(iv) Performance-related pay scheme for Grades 2 & 3, as proposed by Govt.; with 2% gross on Grade 2 & 3 paybill to fund payments above standard increase. Will be transitional net costs until scheme matures to become self-financing; estimated net cost in 1990-91 a little over 1% of senior civil service paybill. Also implementation costs in 1990-91 of restructuring to remove incremental points; on basis of figs. supplied by Treasury we estimate this at about 2% of senior civil service paybill.		

Resultant pay increases:

- Grade 1A and above: 7%
- Grade 2: 7.5% at max, increasing to 8.9% at min.
- Grade 3 in London: 9.1-9.6%
- Grade 3 elsewhere: 7%
- Grade 2s and 3s presently below the normally attainable max. would get additional assimilation increases, as Govt. proposed, giving individuals totals between 11.5-18.7% (including basic 7%); in effect bringing forward increments due late this year or next under current arrangements.

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Armed Forces

	<u>£thousand</u>	<u>% on senior armed forces paybill</u>
(i) Basic increase of 7%	683	7.0
(ii) Additional 2.75% for 2 & 3 star officers	225	2.3

Judiciary

	<u>£thousand</u>	<u>% on judicial paybill</u>
(i) Basic increase of 7%	3,988	7.0
(ii) Additional 10% for Groups 5 to 7 (Senior Circuit Court Judges and below). Recommended to be staged over 2 years, with 5% from 1.4.90, costing in 1990-91:	2,384	4.2)
If staged in equal parts over 3 years, cost in 1990-91:	1,616	2.8)

Overall paybill costs for remit groups as a whole would be 9.4% with 3 year staging for the judiciary or 10.2% with 2 year staging. These figures exclude the transitional and implementation costs of performance pay, which might add about $\frac{1}{2}$ % to the overall paybill.

The drafting of the report is not yet complete so it is not certain which figures will be explicit, but it is intended that none of the paybill implications will be in the report or derivable from it.

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DRAFT MINUTE FROM SIR ROBIN BUTLER TO THE PRIME MINISTER

1990 REVIEW BODY REPORTS

I promised that when I had spoken to the Permanent Secretaries concerned I would let you have a note about the options to be considered for this year's Review Body recommendations as a basis for your discussion with the Chancellor of the Exchequer tomorrow.

Abatement

2. One option would be to abate all the Review Body reports. Apart from the TSRB this has only been done twice (for the DDRB in 1981 and to a limited extent last year) and it is traditionally regarded as the least acceptable method, not least to the Review Bodies themselves.

3. Nonetheless, given the high level of the recommendations this year and the need to bring down inflation, you may wish to see possible levels of abatement set out in the paper for Ministers. The possibilities include abating awards for all groups to:

i. 6.5%, the basic increase offered to ambulancemen (although in their case the offer relates to 1989-90); or

ii. 7.6% which would provide a link with the remit to the Interim Advisory Committee on teachers' pay and would be approximately the rate of inflation without making a direct link; or

iii. 9%, the increase offered to ambulancemen for 18 months, or a little below.

4. In practice if you decided to abate the awards you might wish to have different levels of abatement for different groups.

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For instance, one approach might be to make the biggest abatement in the TSRB groups, reducing them to something like 7.6% or even 6.5%. The NHS groups might then suffer a smaller abatement to 9% (or even 9.6% which would leave the nurses' award untouched but produce moderate reductions for doctors and dentists and PAMs). A decision would be needed about whether the armed forces should be treated like the TSRB groups or the NHS groups.

Staging

5. The alternative is to stage the awards. There are many possible variations and it is difficult to know what the best options would be until some preliminary work has been done. But as a first shot the paper for Ministers might usefully explore what staging would be needed for each group in order to bring the overall cost in 1990-91 down to:

- i. 6.5%; or
- ii. 7.6%; or
- iii. 9% (or a little below).

In exploring these alternatives it would be important to try to preserve the main features of the awards while bringing down the overall cost.

6. As with abatement, there could be different staging for and within each group. But you may wish to defer considering this until you see the results of the analysis.

Last year's award for doctors and dentists

7. On a detailed point the Government decided last year to reject the recommendation of the DDRB that there should be a £1000 addition to the top of the consultant's scale plus an increase in the rate of A+ distinction awards from 95 to 100%, in view of the expansion in consultants' posts agreed in the NHS

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review.

8. This year's report is critical of this decision and repeats the recommendations. If you agree we propose to regard them as a separate matter on which the Government has already taken a view and to leave them aside from the work on this year's recommendations.

Teachers' pay

9. You will wish to ensure that if there are differences between the treatment of teachers and of the Review Body groups they are readily defensible. The Interim Advisory Committee on teachers' pay were given the remit of a 7.6% increase but in their last two reports have exceeded their remit.

Funding

10. Finally, we assume that you will want the work by officials to cost the various approaches set out above and look at options for their funding. This applies particularly in the case of the NHS groups where the 1990-91 PES provision contains no funding for any rises above the forecast GDP deflator of 5%.

Conclusion

10. I would be grateful to know whether you are content that work should be carried out on the basis set out above. It would be particularly helpful to know whether you and the Chancellor want us to explore the full set of options on abatement set out in paragraph 3, and whether you are content with the figures for staging set out in paragraph 5.

SECRET



Handwritten signature

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 January 1990

Further to my telephone call this morning, I am writing to confirm that there will be a meeting on Pay Review Bodies here at No.10 next Tuesday, 23 January. The meeting is scheduled to begin at 0930 and could last up until about 1100.

I am copying this letter to the Diary Secretaries to the Chief Secretary, Sir Robin Butler and Richard Wilson.

AMANDA PONSONBY (Mrs)

The Diary Secretary,
H.M. Treasury.

Handwritten initials

PRIME MINISTERPAY REVIEW BODIES

Robin Butler was this afternoon given a briefing on the key figures emerging from all the Pay Review Body Reports. I was present.

The news is bad. The position is summarised in the notes attached to Robin's minute at Flag A.

In summary:

- Doctors' and Dentists' recommend basic increases of 9.5 per cent for hospital doctors and 11.5 per cent for GPs with a 1990-91 pay bill cost of 10.9 per cent.
- Nurses recommend a basic 9 per cent and a pay bill cost of 9.6 per cent.
- Professions Allied to Medicine recommend a basic 9.75 per cent and a pay bill cost of 10.1 per cent.
- Armed Forces recommend basic increases from 8.7-9.5 per cent, with a pay bill cost of 10.9 per cent.
- Top Salaries recommend a basic 7 per cent, but with various further increases, particularly for Judges. The pay bill cost is 9.4-10.2 per cent (depending on the staging for the judiciary).

The proposals for medical staff do nothing to ease the handling of the ambulance dispute - indeed they make it more difficult.

We will be getting most of the reports themselves during the course of next week. But the Armed Forces Report has arrived this evening and is attached at Flag B. The last one to come in will be the TSRB on 25 January.

b.

This timetable for receipt of the reports means that we could aim for publication and announcements as early as Thursday 1 February. The report of the Interim Advisory Committee on Teachers' Pay should also be available soon enough to enable fitting in to the same timetable if you so wished.

But whether or not you want to aim for 1 February will depend on a range of factors, not least the ambulancemen, and it would be perfectly possible to delay for a week or two. (Last year the announcement was not until mid-February.)

In terms of internal handling, we suggest the following:

- You should have an initial word with the Chancellor at your bilateral next Wednesday 17 January.
- In view of the link between the medical reports and the ambulance dispute, you might then want to have a word with Kenneth Clarke later next week.
- You should then have a meeting in the week beginning 22 January with the Chancellor, Chief Secretary, Sir Robin Butler and Richard Wilson to look at a first draft of the usual Cabinet Office paper analysing the options. (This will be a more difficult paper to prepare than last year; first, because of the high level of the basic recommendations and second because the reports seem to include a whole mass of complex recommendations for special additions.)
- You could hold a meeting with the full range of affected colleagues in the week beginning 29 January.

Rec.

PAUL GRAY

12 January 1990

A:\ECONOMIC\REVIEW.DAS

Ref. A090/109

PRIME MINISTER

1990 REVIEW BODY REPORTS

1. You will be receiving this year's Review Body reports over the next week with the exception of the report of the Top Salaries Review Body which should arrive around 25 January.
2. I have today received in strict confidence from the Director of the Office of Manpower Economics a summary of the main recommendations which the reports are likely to contain, set out in the attached note.
3. The figures are high and clearly present some serious and difficult issues. You will wish to consider how the reports should be handled.
4. I will, if you agree, see the Permanent Secretaries of the key departments concerned next Tuesday in the usual way and then ask Mr Wilson to chair a small group to prepare a paper for Ministers covering the costs and options. I will stress the importance of ensuring that the reports are seen only by named individuals. This will be all the more important this year given the sensitivities.
5. You may wish to have a first discussion of the figures with the Chancellor of the Exchequer at your bilateral meeting with him next Wednesday afternoon. I will let you have a note about possible broad approaches on abatement and staging for this meeting in the light of my discussion with Permanent Secretaries.
6. You may also wish to consider having a word with the Secretary of State for Health next week about the implications of the Review Body reports for the handling of the ambulancemen's

dispute.

7. Thereafter you may wish to keep open the option of putting the issues for decision to a group of the key Ministers concerned in the week of 29 January, with discussion in Cabinet and an announcement on Thursday, 1 February. If you decide to do this we will aim to compile the first draft of a paper for Ministers in time for you to discuss it with the Chancellor and the Chief Secretary in the week of 22 January. Alternatively you may wish to defer collective discussion for a week or two into February. It would be difficult to defer decisions beyond that, given the Government's commitment to an announcement by mid-February.

8. We are assuming that you will wish to consider decisions on teachers' pay in parallel with the reports of the Review Bodies. The Department of Education and Science say that the recommendations of the Interim Advisory Committee (who were given a remit based on an overall increase of 7.6 per cent) should be known on or shortly after 23 January with their report coming in formally just before the end of the month. This should keep open the option of a simultaneous announcement on 1 February.

9. I am copying this minute and enclosures to the Chancellor of the Exchequer and Sir Peter Middleton.

R.R.B.

ROBIN BUTLER

12 January 1990

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PAY REVIEW BODY REPORTS

<u>Main recommendations</u>	<u>Estimated increase in paybill for 1990-91</u>	
	<u>£million</u>	<u>percentage</u>
DOCTORS AND DENTISTS	330(3)	10.9(1)(3)
(i) Basic increases:		
Hospital and Community Health Service	- 9.5%	
General Medical Practitioners	-11.5%(2)(3)	
General Dental Practitioners	-10.5%	
(ii) Repeat of last year's recommendations for £1,000 addition to top of consultant scale (with consequential increases in awards) plus an increase of top award from 95% to 100% of scale maximum. Total increase of 15.2% for consultants with top awards and 12.4% for all other consultants on scale maximum. (Increase on 1989 recommended rates - 9.5%).		
(iii) £1,000 additional increment on top of associate specialists scale, giving total increase of 12.8% .		

Notes: (1) Increase on 1989 recommended rates - 10.3%.

(2) This is the intended increase in average net remuneration; the new contract in particular may result in considerable individual variations.

(3) Some target payments for GMPs are recommended as outside intended average remuneration and are not included in these figures. Using DoH estimates of take-up and assuming pro rata expenses, these would add 0.8% to GMPs average net remuneration and some 0.3% to the total paybill. [These figures could not be deduced from the report].

N.B. Figures in bold are in the report. The other figures can be deduced from the report except where otherwise noted.

Because of various uncertainties in basic manpower and cost data available for NHS in particular, inadvisable to use costings as a firm basis for funding decisions.

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	<u>£million</u>	<u>percentage</u>
NURSES	531	9.6

- (i) Across the board 9%.
- (ii) Higher increases for lowest paid of 9.4-11.4%.
Abolition of lowest age points, giving 16.7%.
(Extra cost of giving more than 9% to these 2 categories: £7.2m).
- (iii) Pupils/students: 12.6-13.4% (extra cost over 9%: £15.6m).
- (iv) Psychiatric lead increased from £275 to £350 (cost: £10.5m).
- (v) Standby and on-call rates increased by 30-51% and brought into line with PAMs' new rates (cost: £2.1m).
- (vi) London allowance: two-tier system retained. Supplements (% of salary) and weighting (cash sums) adjusted and brought into line with PAMs' new rates. Cost £13.3m, representing an average increase of 12.5% but with widely varying effect:

	<u>From</u>	<u>To</u>	<u>Individual increases</u> ⁽¹⁾
Inner London (qualified)	9% + £981	5% + £1,550	£166-314
" " (unqualified)	5% + £981	5% + £1,300	£346-361
Outer London	5% + £981	5% + £1,100	£146-171
Fringe	2½% + £149	2½% + £200	£64-77

(vii) Flexible pay pilot scheme: max. available increased to £12m (not included in costings or pay increases).

(viii) Senior nursing grades to be subject of supplementary report in Spring; no provision made in this report for costs.

Largest increases in total pay for any significant numbers are for pupils/students in Inner London who would get about 16%. An appreciable number of unqualified staff in Inner London would get around 12-15% (with a very few young people getting up to about 20%).

Note (1): Subject to any abatement for those in NHS accommodation.

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	<u>£million</u>	<u>percentage</u>
PROFESSIONS ALLIED TO MEDICINE	52.6	10.1

- (i) Across the board 9.75%
- (ii) Higher increases for lowest paid of 10.1-10.8%. (Extra cost of giving more than 9.75%: £0.2m)
- (iii) Standby & on-call rates increased by 9-24% (Cost: £0.6m)
- (iv) London allowance: two-tier system retained. Supplements (% of salary) and weighting (cash sums) adjusted and brought into line with nurses' new rates. Cost £2.4m, representing an average increase of 21.3% but with widely varying effect:

	<u>From</u>	<u>To</u>	<u>Individual increases</u> ⁽¹⁾
Inner London (qualified)	5% + £1,267	5% + £1,550	£322-335
" " (unqualified)	5% + £1,267	5% + £1,300	£63-71
Outer London	5% + £757	5% + £1,100	£373-395
Fringe	2½% + £149	2½% + £200	£66-77

(v) Health Departments' proposals for a pilot scheme of flexible pay supplements not supported.

Largest increases in total pay are for staff in Outer London, ranging from 11-15%. At the other extreme some unqualified staff in Inner London would get only 8.7-8.8%.

Note(1): Subject to abatement for those in NHS accommodation.

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	<u>£million</u>	<u>percentage</u>
ARMED FORCES	413	10.9

- (i) Basic pay increase in range from 8.7-9.5%
- (ii) Increase in 'X factor' of 0.5%

Combined effect of (i) and (ii), with usual tapering of 'X factor' for senior officers, is increases in military salaries of 9.0-10.0%. (Brigadiers down to Sergeants all within 9.0-9.3%; Corporals to Privates 9.4-10.0%). Average increase of 9.4%.

- (iii) New system of retention incentives, based on MOD proposals, giving bonuses of £2,000 for non-commissioned personnel for 6 years' service and a further £2,000 for 9 years' service.⁽¹⁾ For Army officers, bonuses of £6,500 for 6 years' service and promotion to Captain and a further £6,500 for 9 years' service and promotion to Major, in each case with a commitment to serve a further 3 years. These bonuses account for an increase of about 1.4% on the total paybill.
- (iv) Officers' flying pay restructured, as MOD proposed, to encourage retention of more experienced aircrew. Top rate increases from £12.77 to £17.97 a day. Increases in total pay for about half officers in receipt of flying pay of around 14-15%, and an overall range of 7-18%. (Paybill effect of 0.1%).
- (v) Some changes in bases of food and accommodation charges, most particularly in removal of rates element in accommodation charges in England and Wales. (Overseas the rates element will be replaced by a "facilities charge" determined by MOD).

Lowest increases: University cadets - 4.1-6.0%.

Highest increase: Junior under 16½ (abolition of lowest age point) - 23.0%.

Note: (1) Amounts will vary for some personnel already serving to take account of their existing terms of engagement.

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TOP SALARIES

Basic increase of 7% for Permanent Secretaries and above and comparable top posts in armed forces (CDS and 4 star officers) and in judiciary (High Court Judges and above). Targeted increases for other groups of posts included below.

Civil Service	<u>£thousand</u>	<u>% on senior civil service paybill</u>
(i) Basic increase of 7% (not on London Allowance)	2,093	6.8
(ii) London Grade 3s an additional £1,200 (increases total from £4,100 at new min. to £4500 at max.)	445	1.5
(iii) All Grade 2s: £4,500 (7% basic plus additions) - as for London Grade 3 max. Extra cost over 7%:	114	0.4
(iv) Performance-related pay scheme for Grades 2 & 3, as proposed by Govt.; with 2% gross on Grade 2 & 3 paybill to fund payments above standard increase. Will be transitional net costs until scheme matures to become self-financing; estimated net cost in 1990-91 a little over 1% of senior civil service paybill. Also implementation costs in 1990-91 of restructuring to remove incremental points; on basis of figs. supplied by Treasury we estimate this at about $\frac{2}{3}$ % of senior civil service paybill.		

Resultant pay increases:

- Grade 1A and above: 7%
- Grade 2: 7.5% at max, increasing to 8.9% at min.
- Grade 3 in London: 9.1-9.6%
- Grade 3 elsewhere: 7%
- Grade 2s and 3s presently below the normally attainable max. would get additional assimilation increases, as Govt. proposed, giving individuals totals between 11.5-18.7% (including basic 7%); in effect bringing forward increments due late this year or next under current arrangements.

Armed Forces

	<u>£thousand</u>	<u>% on senior armed forces paybill</u>
(i) Basic increase of 7%	683	7.0
(ii) Additional 2.75% for 2 & 3 star officers	225	2.3

Judiciary

	<u>£thousand</u>	<u>% on judicial paybill</u>
(i) Basic increase of 7%	3,988	7.0
(ii) Additional 10% for Groups 5 to 7 (Senior Circuit Court Judges and below). Recommended to be staged over 2 years, with 5% from 1.4.90, costing in 1990-91:	2,384	4.2)
If staged in equal parts over 3 years, cost in 1990-91:	1,616	2.8)

Overall paybill costs for remit groups as a whole would be 9.4% with 3 year staging for the judiciary or 10.2% with 2 year staging. These figures exclude the transitional and implementation costs of performance pay, which might add about $\frac{1}{2}\%$ to the overall paybill.

The drafting of the report is not yet complete so it is not certain which figures will be explicit, but it is intended that none of the paybill implications will be in the report or derivable from it.

RA

~~Anade~~~~Do you see any
problem with putting
X and Y later.~~From: R T J Wilson
4 January 1990

P 03601

MISS PHIPPARD

cc Mr Gray
Mr MongerRacib
4/1

TIMETABLE FOR PAY REVIEW BODY REPORTS

1. We need to draw up a timetable for handling this year's Pay Review Body reports.

TIMING

2. The Office of Manpower Economics (OME) have told Mr Gray that they hope to send the Prime Minister all the reports in the course of the next two weeks - that is, by 19 January - with the possible exception of the TSRB Report which is to be discussed on 10 January and may require a further meeting on 23 January. If the further meeting is needed the report would not come in until nearer the end of the month.

3. Whatever the precise timetable for the TSRB, the Director of the OME, Douglas Talintyre, expects to be in a position to tell Sir Robin about the main recommendations in the reports by the end of this coming week, 12 January.

PROPOSED TIMETABLE

4. I have agreed with Mr Gray that we should draw up a timetable which keeps open the option of putting the issues to the Cabinet on Thursday 1 February with an announcement that afternoon. Ministers will need to consider the actual timing carefully, not least in relation to the ambulancemen's dispute. The Government's public stance is that it hopes that review bodies will be able to submit their reports in time for decisions on them by the end of January or, at the latest, by mid-February.

5. This suggests the following timetable:

Friday 12 January. Mr Talintyre should be invited to come in on this date to give Sir Robin an account of the main recommendations with a supporting note (as Mr Covington did last year). It would be helpful if Mr Gray and I could be present, as in previous years.

Monday, 15 January (or Tuesday, 16 January). Sir Robin should chair a meeting with the other key Permanent Secretaries to give them a first indication of what is in the reports and to discuss their handling. On the basis of last year's meeting this would be attended by Sir Peter Middleton, Sir Michael Quinlan, Sir Christopher France, Mr Thomas Legg, Mr Hayden Phillips, Mr Monger and myself; and I think it would be sensible also to invite Mr John Caines because of the link with teachers' pay. After the meeting we will provide Sir Robin with a draft report to the Prime Minister and start work on the paper for Ministers.

Wednesday, 17 January. The Prime Minister and the Chancellor of the Exchequer will then be able to have a first word about the recommendations at their weekly bilateral.

X |
Week of 22 January. Meeting between the Prime Minister, the Chancellor and the Chief Secretary to discuss the first draft of the paper for

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Ministers (circulated beforehand to this small group) with Sir Robin and myself in attendance.

4 | Monday 29 January or Tuesday 30 January. Meeting of the "large" group of Ministers most closely concerned.

Thursday 1 February. Cabinet and announcement.

6. We shall once again ask Departments to restrict access to the report to named individuals.

TEACHERS' PAY

7. We are assuming that Ministers will want to make the announcement on teachers' pay simultaneously with that on the Review Bodies, as last year.

8. The Department of Education and Science are therefore trying to persuade Lord Chilver to put forward this year's recommendations from the Interim Advisory Committee on a timetable which fits in with the above. Present indications are that the IAC's recommendations should at ^{the} latest be known on or shortly after 23 January with the report coming in just before the end of the month. It is possible that they will be known before then, which would make the parallel handling easier.

9. There will also be a meeting of E(EP) on 18 January to discuss long-term pay machinery for teachers. Ministers will be able to decide thereafter whether and how decisions on that subject should be tied in with the announcement on the Review Bodies. There will at least have to be a line to take.

NEXT STEPS

10 If Sir Robin is content, you will wish to get in touch with Mr Talintyre and invite him in to see Sir Robin next Friday 12

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January or, failing that, Monday 15 January. You may also want to set up the meeting with Permanent Secretaries so that we are ready to start work with Departments as and when each report arrives.

RJ:

R T J WILSON

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Copy passed to M. Wilson

Ref. A089/3328

NOTE FOR RECORD

c- M. Gray (No 10)

c Mr Evans

Top Salaries Review Body

Sir Robin Butler held a meeting with Sir David Nickson and Sir Peter Middleton on 20 December, to discuss TSRB. Sir Robin Butler explained that he and Sir Peter Middleton had been asked to explain the reasons for the Government's concern about the possibility of recommendations from the TSRB for substantial increases. As Sir David knew, Ministers were sensitive to the link between pay and the economy more generally. At present, they were taking a firm stand on the ambulance workers' claim, despite a heavy price in terms of adverse publicity, because of the potential effects on other areas of public, and then private, sector pay. Consistent with that had been their handling of the recent settlement of Ministers' salaries. They were particularly anxious to avoid high settlements in areas with a high public profile; top salaries clearly fell into this category.

2. Sir David Nickson said that he was well aware of the Government's concerns. He had found his recent meeting with the Chancellor of the Exchequer very helpful. It had enabled him to set out the likely outcome for Ministers' consideration, and also to take back to the TSRB the Government's current position. Equally, TSRB members had to bear in mind not only the pay levels they thought appropriate for senior staff at present, but also long term considerations and relativities. Many members saw their independence as fundamental and would not wish to be seen in any way to compromise that. However, after some discussion at their last meeting, members had agreed to amend their original proposals. The standard increase to be recommended was now 7 per cent. In writing up their report, the TSRB would differentiate clearly between judges, senior civil servants and the military.

On the judiciary, members had ceased to insist that the extra 10 per cent for circuit judges and the judiciary below them should be phased over only two years. The report was likely to say that the increase should be made over two or three years (with the recommendation for two years). On the Civil Service, the real problems over differentials arose from the current Grade 4 and 5 pay levels. Special increases would therefore be targeted on the minimum and maximum of the Grade 2 and 3 scales. In agreeing to reduce the standard increase from $7\frac{1}{2}$ to 7 per cent, members had, however, agreed that the money available for performance pay should be increased from $1\frac{1}{2}$ per cent to 2 per cent of the pay bill. There was still a good deal of concern over the longer term problems, and the credibility of an independent review body if it said repeatedly that recommendations were constrained, despite genuine need, by economic circumstances. However, there was no intention this year to give an indication of the increases that the review body would "ideally" have recommended.

3. In presenting their recommendations, the TSRB would distinguish clearly between baseline recommendations and the discretionary elements. The impact of the changing economic scene on private sector pay, and hence on future differentials, might also be emphasised. Sir David Nickson said that informal interchange with the Treasury in the early stages had been particularly helpful to the TSRB as they considered their recommendations. It had laid the foundations for a very productive oral evidence session.

4. Sir Peter Middleton and Sir David Nickson would arrange for Mr Kelly and Mr Edwards to have a brief discussion before the draft report was put to members for consideration at their meeting on 10 January.

21 December 1989

Sonia Phippard
MISS S C PHIPPARD



file No

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

MR. WILSON,
CABINET OFFICE

TIMETABLE FOR PAY REVIEW BODY REPORTS

No. 10 staff have been discussing with the Office of Manpower Economics the likely timetable for delivery of the 1990 Pay Review Body Reports. The latest intelligence is that the Reports will be signed and sent to us as follows:-

5 January	Doctors and Dentists
12 January	Top Salaries
15 January	Armed Forces
19 January	Nurses and Professions Allied to Medicine

We have told the OME that Ministers may want to publish the Reports as early as Thursday 1 February. The view of the OME Secretariat is that, given the above timetable, this target should present no particular difficulties and allows adequate time for printing, etc.

You and I have already been in touch about the likely timetable for the Report of the Interim Advisory Committee on Teachers' Pay, where it seems we are unlikely to see anything until late January. It is with that prospect in view that I have indicated to the OME that publication of the Pay Review Body Reports is unlikely to be before 1 February.

I suggest we take stock immediately after the New Year of the latest timetable prospects and then consider the arrangements for Ministerial consideration of the various Reports.

I am copying this minute to Sonia Phippard (Cabinet Office).

PAUL GRAY
18 December 1989

PM

Relays PM's comments to
Trevor Woolley AT 20/11 D
Prime Minister
To note. I will add
to the agenda for a brief
with the Ex.

Ref. A089/3013

MR TURNBULL

AT
17/11

Is it possible for someone
to have a word with Sir Peter
Carroll?

Prospects for the TSRB and the AFPRB

mb

I ought to record what I told the Prime Minister rather hurriedly about my talk with Sir David Nickson.

2. Sir David Nickson came in for a private talk with Sir Peter Middleton and myself earlier this week. He said that the main problem for the TSRB was circuit court judges, on which the review body had received very strong representations from the Lord Chancellor's Department. It is not that the circuit court judges cannot be recruited - after a recent drive, they are almost up to strength - but the Lord Chancellor's Department are worried about the standard: only one in four of those approached are prepared to be considered. The TSRB think that 10% will be needed on top of the general increase for Groups 5, 6 and 7 of the judges: they recognised that this will need to be phased in, probably over three years, but have not yet decided whether they should recommend such phasing themselves or leave it to the Government. There is sufficient head room below the high court judges to make this increase without compressing the relativities too much.

3. For the rest, the TSRB are contemplating a general figure of 7%. There is a question about whether something extra will be needed for distribution under the new performance pay scheme for Grades 2 and 3, the principles of which look like being accepted. It will be necessary to set the bottom of the scale for Grades 2

C/F



cc Questions

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 February 1989

PAY REVIEW BODY REPORTS

I am writing on behalf of the Prime Minister to express sincere thanks to all those involved in the printing of this year's Pay Review Body Reports. The original timetable to which you were asked to work, to allow for the possibility of an earlier publication date was, I know, very tight and the Prime Minister is most grateful for the efforts of everyone in your team.

I am copying this letter to the Controller of HMSO.

PAUL GRAY

Frank Hallett, Esq.

R/b

010

FROM: M LAWSON

DATE: 16 February 1989

1. ~~MS SEAMMEN~~
2. PARLIAMENTARY CLERK
3. PS/LORD PRESIDENT

cc PS/Chancellor
PS/Paymaster General
Mr de Berker
PS/Prime Minister ←

PAY REVIEW BODIES - BUSINESS QUESTIONS

1. I attach a line for the Lord President to take on Business Questions this afternoon. He will be aware that the Lord Chancellor's Salary Order is used as an opportunity to discuss the TSRB report (Mr de Berker's submission of 10 February refers).
2. The Written Answer and Treasury briefing package is attached.



M LAWSON

Why not an Oral Announcement?

Past practice. Traditional way to announce the recommendation and Government decisions.

Why not a debate?

- There has never been a formal debate in the past.
- Find it surprising that calls for a debate ^{pre-empt} ~~prompt~~ Opposition knowing what is contained within the reports. Suggest they read them first.
- Not possible to find Government time to debate this matter but of course it is always open to the Opposition to use one of their allotted days.

Thursday 16 February 1989

(Answered by the Prime Minister on Thursday 16 February)

UNSTARRED
No.301

Mr Edward Leigh: To ask the Prime Minister, if she will make a statement on the latest Reports of the Pay Review Bodies.

THE PRIME MINISTER

The 1989 reports of the Review Bodies on the pay of Nursing Staff, Midwives and Health Visitors, and Professions Allied to Medicine, the Doctors and Dentists, and the Armed Forces, and of the Top Salaries Review Body, have been published today. Copies are now available in the Vote Office. The Government are grateful to members of the review bodies for these reports and for the time and care which they have put into their preparation within the new timetable, enabling decisions to be taken ahead of the new financial year.

The following table shows the increases in pay rates recommended by the review bodies, and their cost:

Review Body reports	Pay bill increase	Range of increase	UK Public Expenditure Cost
	per cent	per cent	£ million(1)
Armed Forces	6.8	5-8	272
Doctors and Dentists	8.8	8-14.1	312
Professions Allied To Medicine	7.7	7.6-7.8	43
Nurses, Midwives and Health visitors	6.8	6.7-6.9(2)	420
Top Salaries	6.5	4.9-10.6(3)	6

The figures for public expenditure cost differ from those in the review bodies' reports. Their figures do not include some costs which count as public expenditure. The figure for doctors and dentists includes payments for GPs' expenses, not counted as pay. The figure for nurses includes £5m for the flexible pay experiment and an estimated £3 million for a new grading structure for educational grades, which the Review Body has not yet costed.

- (2) Three Chief Area Nurses grade 4 in Scotland will get increases of 10-13.6%.
- (3) This figure does not allow for the recommendation to increase from 25% to 35% the quota of civil servants in Grades 2 and 3 eligible for discretionary increments. The figure for the pay bill increase does however allow for this. The figure given for the range of increases also excludes restructuring for 13 Immigration Adjudicators who receive increases of 27.1%, and for the Chief Immigration Adjudicator and the Vice-Presidents of the Immigration Appeal Tribunal, who get 28.3%.

The Government have decided to accept in full the Review Bodies' recommendations on armed forces, on professions allied to medicine, and on nurses, midwives and health visitors.

The Government have also decided to accept the recommendation of the Review Body on doctors and dentists for a basic increase of 8% for all the groups covered. In the Government's view the creation of 100 additional permanent consultant posts over the next 3 years, as proposed in the White Paper, "Working for Patients", which was published after the Review Body report was received, will best achieve the objective of improving the long-term career structure for hospital doctors. The creation of these posts will therefore take the place of the increases recommended, in addition to the 8% basic increase, at the top of the consultants' scale and in the size of consultants'

distinction awards. Subject to this, the Government accepts the Review Body's recommendations.

The Government have decided to accept the recommendations of the Top Salaries Review Body in full, except that they consider that the pay of 2-star officers should be around 85% of the normally attainable maximum of Grade 2 civil servants (which is also the pay point for 3-star officers) rather than linked to a performance point for Grade 3 civil servants. This will give the 2-star officer a salary at the level recommended by the TSRB.

The full cost of the awards by the Armed Forces Pay Review Body and Top Salaries Review Body groups will be met from within existing public expenditure programme totals for this year. In the case of the health services however the Government recognise that the full costs could not be accommodated without adversely affecting services to patients. The Government have therefore decided to provide an extra £142m for health authority cash limits from the Reserve for next year. Of the remaining cost, £417m is already fully covered within the allocations made for this year, leaving a balance of £44m to be covered from cost improvements. The Government have similarly decided to provide an additional £62m to the Family Practitioner Services from the Reserve for this year, bringing the total addition from the Reserve to £204m. Together with the increases in allocation already announced, the increase in provision for the National Health Service in 1989-90 over 1988-89 will therefore be £1900m.

In total, taking account of lower employers' superannuation contributions, additional receipts and efficiency savings, the resources available for the National Health Service in 1989-90 will be £2460m more than in 1988-89.

The pay rates and scales resulting from the decisions will be promulgated as soon as possible for all the groups concerned.



PA

*copy
(Peter only)*

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

16 February 1989

Paul Gray Esq
10 Downing Street
LONDON
SW1

Dear Paul,

REVIEW BODIES, THE IAC AND THE ANDREW REPORT

... The announcements on the pay review bodies, the Interim Advisory Committee on teachers, and the Andrew Report on Government Lawyers are all being made this afternoon. I attach the Written Answers announcing the decisions together with the Treasury briefing.

I am copying this letter and attachments to Private Secretaries to all Cabinet Ministers, to the Private Secretary to the Attorney General, and to Sir Robin Butler.

*Yours
Alex*

A C S ALLAN
Principal Private Secretary

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Attached is briefing on

1. Review Bodies:

- (a) The Prime Minister's Written Answer announcing the Review Body awards; (pp 3-5)
- (b) Summary of recommendations and Government's response; (pp 6-13)
- (c) Q and A briefing; (pp 14-26)
- (d) Fuller brief on NHS financing; (pp 26,27)
- (e) Details of past RB decisions. (pp 28-31)

2. IAC

- (a) Secretary of State for Education's Written Answer announcing the Government's acceptance of the IAC's recommendations; (pp 32-37)
- (b) "Bullets"; (pp 38-40)
- (c) Q and A briefing. (pp 41-45)

3. Andrew Report

- (a) Paymaster General's Written Answer announcing Government's further decisions on Andrew report; (p 46)
- (b) Q and A briefing. (pp 47 and 48)

Questions on Review Bodies generally, the Senior Civil Service and the Andrew Report should be addressed to HM Treasury; questions on the judiciary to the Lord Chancellor's Department; on the Armed Forces to the Ministry of Defence; on the NHS Groups to Department of Health, and the IAC to Department of Education and Science.

HM TREASURY
16 February 1989

Thursday 16 February 1989

(Answered by the Prime Minister on Thursday 16 February)

UNSTARRED
No.301

Mr Edward Leigh: To ask the Prime Minister, if she will make a statement on the latest Reports of the Pay Review Bodies.

THE PRIME MINISTER

The 1989 reports of the Review Bodies on the pay of Nursing Staff, Midwives and Health Visitors, and Professions Allied to Medicine, the Doctors and Dentists, and the Armed Forces, and of the Top Salaries Review Body, have been published today. Copies are now available in the Vote Office. The Government are grateful to members of the review bodies for these reports and for the time and care which they have put into their preparation within the new timetable, enabling decisions to be taken ahead of the new financial year.

The following table shows the increases in pay rates recommended by the review bodies, and their cost:

Review Body reports	Pay bill increase	Range of increase	UK Public Expenditure Cost
	per cent	per cent	£ million(1)
Armed Forces	6.8	5-8	272
Doctors and Dentists	8.8	8-14.1	312
Professions Allied To Medicine	7.7	7.6-7.8	43
Nurses, Midwives and Health visitors	6.8	6.7-6.9(2)	420
Top Salaries	6.5	4.9-10.6(3)	6

- (1) The figures for public expenditure cost differ from those in the review bodies' reports. Their figures do not include some costs which count as public expenditure. The figure for doctors and dentists includes payments for GPs' expenses, not counted as pay. The figure for nurses includes £5m for the flexible pay experiment and an estimated £3 million for a new grading structure for educational grades, which the Review Body has not yet costed.
- (2) Three Chief Area Nurses grade 4 in Scotland will get increases of 10-13.6%.
- (3) This figure does not allow for the recommendation to increase from 25% to 35% the quota of civil servants in Grades 2 and 3 eligible for discretionary increments. The figure for the pay bill increase does however allow for this. The figure given for the range of increases also excludes restructuring for 13 Immigration Adjudicators who receive increases of 27.1%, and for the Chief Immigration Adjudicator and the Vice-Presidents of the Immigration Appeal Tribunal, who get 28.3%.

The Government have decided to accept in full the Review Bodies' recommendations on armed forces, on professions allied to medicine, and on nurses, midwives and health visitors.

The Government have also decided to accept the recommendation of the Review Body on doctors and dentists for a basic increase of 8% for all the groups covered. In the Government's view the creation of 100 additional permanent consultant posts over the next 3 years, as proposed in the White Paper, "Working for Patients", which was published after the Review Body report was received, will best achieve the objective of improving the long-term career structure for hospital doctors. The creation of these posts will therefore take the place of the increases recommended, in addition to the 8% basic increase, at the top of the consultants' scale and in the size of consultants'

distinction awards. Subject to this, the Government accepts the Review Body's recommendations.

The Government have decided to accept the recommendations of the Top Salaries Review Body in full, except that they consider that the pay of 2-star officers should be around 85% of the normally attainable maximum of Grade 2 civil servants (which is also the pay point for 3-star officers) rather than linked to a performance point for Grade 3 civil servants. This will give the 2-star officer a salary at the level recommended by the TSRB.

The full cost of the awards by the Armed Forces Pay Review Body and Top Salaries Review Body groups will be met from within existing public expenditure programme totals for this year. In the case of the health services however the Government recognise that the full costs could not be accommodated without adversely affecting services to patients. The Government have therefore decided to provide an extra £142m for health authority cash limits from the Reserve for next year. Of the remaining cost, £417m is already fully covered within the allocations made for this year, leaving a balance of £44m to be covered from cost improvements. The Government have similarly decided to provide an additional £62m to the Family Practitioner Services from the Reserve for this year, bringing the total addition from the Reserve to £204m. Together with the increases in allocation already announced, the increase in provision for the National Health Service in 1989-90 over 1988-89 will therefore be £1900m.

In total, taking account of lower employers' superannuation contributions, additional receipts and efficiency savings, the resources available for the National Health Service in 1989-90 will be £2460m more than in 1988-89.

The pay rates and scales resulting from the decisions will be promulgated as soon as possible for all the groups concerned.

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SUMMARY OF RECOMMENDATIONS AND GOVERNMENT RESPONSE

1. Armed Forces

The AFPRB made recommendations averaging 6.8 per cent and costing £272m gross. The net cost is £253m as the review body also recommended some increases in charges. The Government has accepted the recommendations in full - as it has all previous recommendations of the AFPRB.

See Annex A for typical increases.

2. Doctors and Dentists

The DDRB recommended increases averaging 8.8 per cent and costing £312m. They break down as follows:

(i) a basic increase of 8% for all NHS doctors and dentists (accepted);

(ii) a reduction in the number of working hours at which junior hospital doctors qualify for increased on-call allowances - designed to encourage authorities to reduce the number of hours worked (accepted);

(iii) an additional point at the top of the Senior House Officer scale (accepted);

(iv) a small increase in the number of higher distinction awards (accepted);

(v) an increase in the A+ distinction (top) award from 95% to 100% of the consultant scale maximum (rejected);

(vi) an additional £1,000 at the top of the consultant scale (rejected).

The Government has accepted all the recommendations except the additional £1,000 for consultants and the increase in the A+ distinction award. The White Paper on the NHS proposes an increase on the number of consultants (100 extra over three years)

and in the Government's view this would provide a better incentive to doctors to opt for a hospital career.

See Annex B for typical increases.

3. Nurses and Professions allied to medicine (PAMs)

The NPRB made recommendations of 6.8 per cent for nurses costing £420m and 7.7 per cent for PAMs at a cost of £43m. The Government has accepted the recommendations in full.

See Annex C for typical increases.

4. Top Salaries (top civil service, senior military, judiciary)

The TSRB made recommendations averaging 6.5 per cent at a cost of £6m. They breakdown as follows:

- (i) a basic increase of 5% for all groups (accepted);
- (ii) a minor restructuring for the judiciary which would bring their paybill increase to 5.2 per cent (accepted);
- (iii) for senior officers in the armed forces 2 star officers (Major Generals) to be linked to the first performance point for grade 3 (Under Secretary) civil servants. At the moment the link is with the Grade 3 normally attainable maximum (modified);
- (iv) for top civil servants the number eligible for discretionary increments based solely on performance increased from 25% to 35% and London Allowance of £2,000 introduced from Grade 3s (accepted).

The Government has accepted all the recommendations apart from that for the link between the pay of 2 star officers and Grade 3 civil servants which has been modified so that 2 star officers will now get around 85 percent of the normally attainable maximum for Grade 2 civil servants. This gives 2 star officers a salary at the level recommended by the TSRB but avoids linking pay which

has no performance element to a performance point, which the Government considers to be wrong in principle.

See Annex D for typical increases.

5. Funding

The additional costs of the AFPRB recommendations will be contained within the Defence cash limit for the year and within the totals for 1990-91 and 1991-92 set out in the recent Public Expenditure White Paper. The TSRB recommendations will similarly be funded from within existing provision. The UK cost of increases for staff covered by the medical review bodies is £758m which is £248m more than existing NHS provision. Health authorities will be asked to meet £44m from their cost improvement programmes. The Government will meet the remaining £204m from the Reserve.

6. Pay and Price Movements elsewhere

The Review Bodies' recommendations compare with:

(i) a year on year increase in underlying average earnings for the whole economy of 8.75% in December;

(ii) settlements running at round 6½ per cent, median of settlements between October and December reported by Industrial Relations Service 6.5%, Manufacturing settlements since August averaging 6.7% (CBI);

(iii) a year on year increase in the RPI of 6.8% in December (4.8% of TPI). January figure to be announced on Friday 17 February. The RPI is expected to fall during the course of this year. The Autumn Statement predicted that by 1989 Q4 it would be 5%.

7. General Line to Take

Government committed to meeting Review Bodies' recommendations unless clear and compelling reasons. Has therefore endorsed nearly all Review Bodies' recommendations. Only exceptions extra awards for consultants - NHS White paper increased number of consultants - and rationale for 2 star officers increase. Government has funded the bulk of additional health service costs but has made clear no blank cheque - health authorities will have to meet £44m of cost from efficiency savings.

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ANNEX A

Armed Forces (AFPRB)
Typical Increases

	Present pay	Pay, from 1 April 1989	Increase
	£	£	%
Brigadier	36,555	38,748	6.0
Lieut Colonel on maximum	29,247	30,999	6.0
Captain on maximum	17,418	18,812	8.0
Staff Sergeant Band 4	11,830	12,585	6.4
Corporal I Band 2	11,195	11,990	7.1
Private IV Band 1	5,705	6,063	6.3

The same rates apply to equivalent ranks in the other Services.

The figures for Staff Sergeants, Corporals and Privates all for men committed to 6 years' but less than 9 years' service.

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ANNEX B

Doctors and Dentists (DDRB)
Typical Increases

	Present pay	Pay, from 1 April 1989	Increase
	£	£	%
<u>Hospital staff</u>			
Consultant A + distinction award	69,225	74,760	8.0
Consultant on maximum, no distinction award	35,500	38,340	8.0
Registrar, on maximum	16,330	17,635	8.0
House Officer, on maximum	10,740	11,600	8.0
<u>General practitioners (average net income)</u>			
Doctors	28,800	31,105	8.0
Dentists	24,920	26,915	8.0

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ANNEX C

Nurses (NPRB)
Typical Increases

	Present pay	Pay, from 1 April 1989	
	£	£	%
Regional Nursing Officer, maximum	33,100	35,335	6.8
Director of Nursing Services, maximum highest grade	23,700	25,300	6.8
Grade G (middle Sister grade maximum)	13,925	14,860	6.7
Grade D (basic Staff nurse grade)	9,200	9,815	6.7
Grade A (unqualified nurse) maximum	6,300	6,725	6.7
Student nurse, first year	4,825	5,150	6.7

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ANNEX D

Top Salaries (TSRB)
Typical Increases

	Present pay	Pay, from 1 April 1989	Increase
	£	£	%
Head of the Civil Service	85,250	89,500	5.0
Permanent Secretary	68,500	72,000	5.1
Admiral			
General			
Air Chief Marshal			
Under Secretary on normally attainable maximum,			
- without London Allowance	39,000	40,900	4.9
- with London Allowance	39,000	42,900	10.0
2 star officer	39,000	43,100	10.5
Lord Chief Justice	85,250	89,500	5.0
High Court Judges	68,500	72,000	5.1
Circuit Judges	45,800	48,100	5.0

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Q & A BRIEFING AFPRB

How much?

Average increase is 6.8 per cent at a gross cost of £272m. Net cost £253m as some charges go up too. The additional cost of award will be contained within Defence cash limit for the year and within the totals for 1990-91 and 1991-92 set out in the recent Public Expenditure White Paper.

Who gets the award?

All Service personnel except officers above the rank of Brigadier or equivalent whose salaries are determined by the TSRB. [The AFPRB will submit separate recommendations for Service doctors and dentists based on the award for the NHS General Medical Practitioner].

What is the effective date for implementing the recommendations?

The main pay increases will be introduced with effect from 1 April 1989, as recommended by the AFPRB. Where the Review Body recommends other dates for changes in certain elements of pay or allowances (eg the revised structure for other ranks flying pay) implementation will take place on the dates recommended.

Will everyone get the same percentage pay award?

No, the increases range from 6.0% to 8.0% for officers and 6.1% to 7.1% for Other Ranks with University Cadet Entrants getting 5%. (The full recommended rates are at Annex A.)

How does the percentage increase compare to the "going rate" outside?

There is no question of a "going rate" here. The Review Body comes to a balanced judgement, taking into account earnings data

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relating to jobs of similar weight in civilian life as measured by job evaluation, and the Services recruitment and retention needs. They also take into account other factors such as relative pensions benefits, fringe benefits and job security.

The Review Body comment on the difficulties faced by dependants in obtaining employment - particularly abroad - What is the MOD doing about this?

We are aware of the problem and are seeking ways of ameliorating it. However, it is not a situation unique to the Armed Forces. Wherever employers require their staff to be mobile difficulties will arise if both partners work. The Federation of Army Wives are compiling a data base with the aim of matching wives to available jobs. At present, it is only operating in the UK but plans exist to extend the scheme to Germany.

The report makes reference to the demographic trough and suggests non-pay initiatives are needed - what is MOD doing?

In 1994 the number of young men in the UK aged between 16 and 19 will have fallen by around 23% compared with current levels and by 30% compared with the peak in 1983. The Armed Forces are tackling this problem in a variety of ways and are carrying out a number of studies. For example, expenditure on recruitment advertising is being increased and measures aimed at improving the retention of trained personnel are being taken. We are also increasing the career opportunities for women and examining how to attract more recruits from the ethnic minorities.

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IMPLEMENTATION

- Q. Why have you decided not to pay the consultants on the maximum the extra £1000 and not to increase the value of A+ Distinction Awards from 95% to 100% of the scale maximum?
- A. The Review Body recommended the increase of £1000 partly as a means of increasing the long term career structure of hospital doctors. The Government believes that the proposal to create 100 permanent consultant posts over the next 3 years, in addition to the already planned expansion, will best achieve this objective.
- Q. Will not the Review Body be affronted at this rejection of their recommendations?
- A. At the time they reported they were unaware of the decision to increase the number of consultants. And the terms of reference of the Review Body precludes them from making recommendations on increases in manpower.
- Q. When was the last time the Government rejected individual recommendations of the Review Body, as opposed to staging or abating overall percentage increases?
- A. This is the first occasion since the Review Body was established in 1971 that individual recommendations, such as the consultants maximum and the level of A+ awards have not been accepted. [The Government has accepted in full the last two year's recommendations of the Review Body. For the previous five years recommendations were either staged or abated.] - *1/2 pressed.*

Junior hospital doctors' hours

- Q. Is there anything in the Review Body's Report that will reduce the hours of junior hospital doctors?
- A. We have accepted the Review Body's recommendation that the rate for Units of Medical Time should be doubled for all contracted hours of work in excess of 96 per week. This, together, with the additional 100 consultant posts announced in the White Paper "Working for Patients", will assist the initiative launched last June to reduce the unacceptably long hours of work of some junior hospital doctors.

Future of Review Bodies

- Q. The White Paper "Working for Patients" proposes that Self-Governing Hospitals will be free to settle the pay and conditions of service of their staff, including doctors. Does not this signal the end of the Review Bodies?
- A. No. There will be still be a place for national pay agreements. The White Paper makes clear that the NHS Hospital Trusts, who will be responsible for the Self-Governing Hospitals, will be free either to continue to follow national pay agreements or to adopt partly or wholly different arrangements.

Distinction Awards

- Q. In their 18th Report, the Review Body criticised some aspects of the distinction award system and made suggestions for changes. What has happened?
- A. The Government is grateful for the Review Body's views. The White Paper "Working for Patients" makes it clear that the Government accepts the points they made and set out the changes (reviewability; greater management "say"; and no awards close to retirement age) the Government intends to make. Further details of how Distinction Awards will operate in future will be contained in one of the Working Papers which will be published shortly.

Senior House Officers

- Q. A Senior House Officer who has been on the maximum of the scale for at least a year, will get a rise of 14%. Is this not inconsistent with your refusal to give a 13.7% increase to consultants on their maximum with A+ distinction awards?
- A. Because the "Plan for Action" was expected to lead to an increase in the average length of time spent in the SHO grade. Our evidence to (jointly with the profession) the 18th Review about the introduction of the Staff Grade suggested a further scale point in 1988 with another in 1989. The Government has, therefore, honoured the line taken in that joint evidence. This larger than normal rise is seen as compensation for some SHOs having to wait longer before becoming a registrar.

Q. What is the Government's record on manpower

A. Since 1978, the NHS's medical and dental workforce has grown by 13,867 or 16.3%. The whole time equivalent of doctors and dentists working in the HCHS increased by 5,900 or 12.8%, to a

total of 52,100 WTEs while the number of general medical and dental practitioners increased by 7,967 or 20.5% to a total of 46,788 under the previous administration, the overall increase was just over 10,000 or 13.4%.

Background

(GB)	GMP unrestricted principals(no)	GDP principals(no)	HCHS doctors and dentists(WTE)	Total workforce
1973	23,965	12,124	38,900	74,989
1978	25,245	13,573	46,200	85,018
1986	29,279	16,640	52,400	98,419
1987	29,808	16,969	52,100	98,877

(Latest figures at 30.9.87)

Consultant Expansion

Q. What is happening to the proposed consultant expansion of 2%?

A. The most recent Regional figures suggest that for the year ending March 1988 expansion has been running at about 2.6%. This excludes the 100 pump-priming posts.

Q. How soon will the extra 100 consultant posts be provided?

A. We are dealing with this urgently and will be obtaining bids from health authorities as soon as the scheme has been finalised.

NURSES' PAY AWARD: Q AND A BRIEF

1. RPI figures due to be published tomorrow will show an annual rate above the 6.8% awarded to nurses. You said when publishing your evidence to the Review Body that nurses' pay should not slip back. Has it not slipped back?

You are falling into the trap at looking at one months figures, whatever they may be, in isolation. I assume that the Review Body in making their recommendations took into account what they believe is likely to be the level of inflation throughout 1989. Most forecasters predict that the rate of annual increase in the RPI will fall during the year and if they are right, as I am confident they will be, nurses will continue to be better off in real terms than ever before. [The Tax and Price Index, which is a better measure of the value of the pay settlement is, of course, running at 4.8%.]

2. Nurses are getting below the going rate for pay settlements

On the contrary, the latest (IRS) surveys show that the median level of settlements for the last 3 months of 1988 was 6.5% unweighted (6% weighted). Manufacturing settlements recorded (by the CBI since 1 August 1988) in the current pay round average 6.7%.

3. A mark-time pay rise will not be enough to recruit and retain the nurses/midwives you need

All the signs are that the staffing position is improving. The Review Body's own survey of vacancies suggests an overall vacancy rate of around 3% compared with 3.5% last year. Even more significant are the figures for qualified staff where the vacancy rate has fallen by over 1% from 4.4% to 3.3%. And as the Review Body points out, their survey looked at the position at 31 March 1988 - that is before last year's 18% pay rise and before the introduction of the new clinical grading structure and London supplements.

4. Review Body critical of implementation of clinical grading. (paras 3-5 of Report)

With the benefit of hindsight it is easy to suggest ways in which we might have done things rather differently. I would certainly accept that all of us involved in the exercise - both management and trades unions - should perhaps have done more to explain to nurses the objectives of the new structure and the new basis of grading.

But the Review Body also says that:

- they "continue to believe that the structure opens up important new opportunities for nurses and midwives who wish to remain in clinical practice."
- the Staff Side told them "that these difficulties have not undermined their confidence in the fundamental concepts and objectives of the structure itself".

5. Flexible pay - your proposals will simply shift shortages around the country and between specialties

No. They will enable us to compete more effectively in local labour markets and offer rates of pay which make it less likely that nurses will leave the NHS for alternative employment. It will also make it more attractive, for example, for trained nurses who are returning to employment after a break to re-enter nursing, rather than go to some other local employer. This will increase the number of nurses who are working in the NHS, carry out the vital work for which they have been trained.

6. £5 million is too little for an effective experiment

It is sufficient to cover 10,000-20,000 posts with supplements of £250-£500. If properly targeted this should provide a good indication of the effectiveness of the scheme and of the best way forward.

7. Staff Side will oppose flexible pay

I hope not. They told the Review Body that they were not totally opposed to the principle of local variations in pay and that they might be prepared to discuss an experimental scheme with the Management Side. This is what the Review Body has recommended and I hope they will now accept that recommendation.

8. Senior Educational Grades

We have reached agreement with Staff Side representatives on the outline of a separate, free-standing grading structure for nursing and midwifery educational staff. The new structure consists of seven grades, covering teaching staff from Directors of Nursing and Midwifery Education down to tutors and clinical teachers.

The outline was sent to the Review Body in November, and we hope that agreement will be reached on the details very shortly. We will then ask Health Authorities to regrade posts and report the outcome to the Review Body. The Review Body will then submit a supplementary report as soon as possible, recommending pay scales for the new grades.

9. What about Non-Review Body Groups - are you going to offer them the same increases as Review Body Staff

This is a separate matter. The pay of other NHS staff is negotiated by Whitley Councils. It would not be appropriate for Review Body recommendations, relating as they do to the special circumstances of individual staff groups to be used as a guide in other pay settlements.

10. The increasing gap between Review Body and Non-Review Body Groups

The special arrangements for Review Body groups reflect their special position (re industrial action) and this has been reflected in the pay outcome in recent years. There is nothing wrong in that, provided managerial requirements are still met. I do not accept that "justice" requires equal treatment.

NURSES PAY: 1989 AWARD: BULL POINTS

- Maintains highest ever real terms pay we set last year (6.8% increase matches December RPI figure and compares with a 4.8% increase in TPI).
- 45% real terms increase since 1979.) (Assumes 6.8% annual increase in RPI) in pay-round year, to July 1989 in
- 30% real terms increase since 1983.) line with latest (December) figures.)
- 25% increase in last 2 years.
- Acceptance of our proposals on flexible pay major move towards enabling NHS to respond in pay terms to local labour markets.
- Maximum for London Supplements will be over £1,000 and, with London Weighting, additions can be worth extra £2,000 to nurses in London.

Staff nurses and midwives

- Pay on qualification will be over £8,500 (£10,300 in Inner London).
- Real terms pay up by around $\frac{1}{3}$ since 1979.
- Estimated average earnings in basic grade will start at £10,100 and rise to £11,500 (£11,800 to £13,400 in Inner London).

More than 3 out of 4 staff nurses and 9 out of 10 midwives are in the higher grades (E and above). For them:

- Real terms pay up by over 50% since 1979.
- Estimated average earnings will start at £11,500 and rise to £13,400 (£13,400 to £15,400 in Inner London).

Nursing and midwifery sisters

- Starting pay in basic grade (F) will now be over £10,800 (£12,800 in Inner London).
- Real terms pay up by over $\frac{1}{3}$ since 1979.
- Estimated average earnings will start at £12,500 and rise to £13,300 (£14,500-£17,300 in Inner London).

But 3 out of 4 likely to be in higher grade (G). For them:

- Real terms pay up by over 50% since 1979.
- Estimated average earnings will start at £14,300 and rise to £16,600 (£16,300 to £18,600 in Inner London).

Labour's record

- Under Labour, nurses received pay increases of less than the rate of inflation 3 years running.
- In 1976/77, Labour cut nurses' pay by over 10% in real terms.
- In the 5 years between 1974/75 and 1978/79 Labour cut nurses' pay in real terms in 4 of them.
- Nurses pay fell by 21% in real terms in the 5 years to 1979.

PROFESSIONS ALLIED TO MEDICINE: Q AND A

Grading Review?

Review Body urge the Sides to resume negotiations with a view to completing a comprehensive review covering all grades.

Management Side genuinely committed to meaningful negotiations?

Yes. Review Body accept there were genuine attempts last year by both Sides to reach agreement.

Timing and basis of new negotiations?

Up to the two Sides. No doubt that Management Side will approach negotiations with an open mind.

If the grading review is successfully completed, will you urge the Review Body to recommend 'catching up' increases for PAMs next year?

The Review Body make it clear that the completion of a regrading exercise would not necessarily imply a range of pay increases similar to that given to nurses last year. I agree with that.

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TSRB General

(i) General line to take

Basic increase is 5 per cent. Other increases targeted at particular difficulties within paybill cost of 6½ per cent. Government have not hesitated to accept substantial increases targeted on specific problems. But there is no general problem and so no justification for large across the board increases.

TSRB warn of big pay increases necessary next year?

Increases next year, as now, should be based on what is necessary to recruit, retain, and motivate, within what can be afforded.

TSRB held down increases this year because of concern about inflation?

TSRB made own judgement in light of Government's economic evidence and recruitment and retention position. Do not believe that recruitment and retention position would justify more than TSRB has recommended.

(ii) Senior Civil Service

Increases not enough for recruitment and retention in longer term?

TSRB took account of this in forming their recommendations for senior civil service which Government has accepted. Increases targeted on London and rewarding merit. Total package substantial.

- (a) Basic increase of 5%;
- (b) New London allowance of £2,000 worth 5% to grade 3s in London;
- (c) Increased quota for performance from 25% to 35%.

CONFIDENTIAL until 4pm on 16 February
then UNCLASSIFIED

Quota for discretionary performance point demotivating?

Government has accepted TSRB recommendation that quota should be raised from 25% to 35%. Any system must have financial constraint to ensure proper targeting and value for money otherwise "buns for all". In present system this role performed by quota.

Implications for other civil service salaries with 25% quota?

Not directly, but shows Government is prepared to respond where quota would produce inequitable results - subject always to maintenance of proper reporting standards.

Quality of graduate recruits deteriorating and in due course will affect the Senior Open Structure?

Quality of recruitment fluctuates from year to year. 1988 was good year for fast stream (AT) recruitment though 1989 looking less good. No evidence at all of diminution in high standards of senior open structure, nor those below, 1988 flexible pay agreements for grades 5-7 important in targeting pay on recruitment and retention needs and rewarding performance.

The best are leaving the Civil Service

Not true. [This is what people who had left told TSRB. They would, wouldn't they?]

Abolition of London Weighting for Grade 3s in 1985 mistake?

No. Decision made in light of circumstances at the time. Circumstances now different.

Why did Andrew Report make recommendations for pay of lawyers in Senior Open Structure?

See separate brief on Andrew Report.

(iii) Judiciary

Why are Immigration Adjudicators to receive such large increases?

Only 13 Immigration Adjudicators, first included in review body's remit during 1988 TSRB round. Review body did not then have opportunity to carry out a full evaluation of their proper place in salary structure. Having considered all evidence this year review body decided group 7 appropriate place. Chief Immigration Adjudicator and Vice Presidents will also move up in order to maintain appropriate differentials.

Will Lord Chancellor's salary be increased?

Lord Chancellor's salary determined by reference to that of Lord Chief Justice over whom he has a lead of £2,000. Subject to affirmative resolution in both Houses salary will be increased to £91,500.

Problem with recruitment to circuit bench?

Longstanding problem not wholly to do with pay. Lord Chancellor welcomes review bodies' undertaking to look into the position of circuit bench in its next review.

(iv) Senior Military

Why reject TSRB proposal on pay of 2 star Generals?

The Government considers it wrong in principle to link pay which has no performance element to a performance point. However, the link to the pay of Grade 2 civil servants agreed by the Government will give 2-star officers the same salary as that recommended by the TSRB.

NHS FINANCINGWhat will it cost?

1. Total UK cost in 1989-90 of awards is £758 million. Inflation factor built into existing NHS provision covers £510 million of this. Health authorities will be asked to meet a further £44 million from their cost improvement programmes. Remaining £204 million will be met from Reserve.

Health expenditure in 1989-90

2. NHS net expenditure in UK will be increased by £204 million to £24,715 million. This is £1,899 million more than the estimated outturn for 1988-89 (£22,816 million). When the effects of reduced employers' superannuation contributions and health authorities' new cost improvement programmes and income generation schemes are taken into account, the total increase in resources compared with 1988-89 will be 5.5% higher in real terms.

Health authority cash limits

3. These will be increased by £142 million (£114 million in England, £16 million in Scotland, £6½ million in Wales and £5½ million in Northern Ireland). In addition, £62 million will be provided from the Reserve for the Family Practitioner Services (of which £49 million in England, £7 million in Scotland, £3½ million in Wales and £2 million in Northern Ireland).

Will Scotland, Wales, Northern Ireland increases give what is needed, or only formula increases?

4. Increases in Scotland, Wales and Northern Ireland are calculated as what is necessary to fund the pay awards (less the contribution from existing provision, including from cost improvement programmes).

What about future years?

5. Provision for 1990-91 onwards will be reviewed in the public expenditure survey. Decisions will be announced in the Autumn Statement.

Contribution from efficiency savings represents cut in services?

6. No. Modest contribution, reflects a balance between the need to make continuing improvements to services and the need to minimise the call on public expenditure.

More money needed this year to prevent cuts in services?

7. Health authorities were getting substantial real term increases even before this announcement. Any uncertainty they may have had over the financing of review body awards is now removed, thanks to early statement.

Further increases to meet other NHS pay settlements?

8. No. Cost of pay awards to other groups (a significantly smaller proportion of the pay bill than doctors and nurses) will have to be met from cash limits, like other price changes.

NHS review

9. The provision for spending on health in 1989-90, already announced (in the Autumn Statement and Public Expenditure White Paper), included the likely costs of preparing for the reforms announced in the NHS review White Paper. Over time, any extra costs should be offset by the improved efficiency stemming from the reforms; the costs and savings in future years will be considered in the annual public expenditure surveys.

Clinical academics

10. Cost of doctors' pay award, as it affects clinical academics, is £7.3 million. Of that, £4.5 million is already in existing provision and £2.8 million will be provided from the Reserve.

Review Body Recommendations and Awards 1971 to date

YEAR	REVIEW BODY	RECOMMENDED	IMPLEMENTED IN FULL BY YEAR DUE DATE (1 APRIL EXCEPT WHERE SPECIFIED)	STAGED BUT IMPLEMENT IN FULL BY YEAR END (FIRST STAGE)	STAGED (FIRST STAGE)	ABATED TO	PRE-DETERMINED BY PAY POLICY	NOTES	RPI (APRIL ON APRIL)	TPI (APRIL ON APRIL)
1971	AFPRB DDRDB TSRB	No report 8% -Judiciary -Others	- Yes - -	- - - -	- - - -	- - - -			9.4	n/a
1972	AFPRB DDRDB TSRB	10% 8% -Judiciary -Others	Yes Yes Yes Yes	- - - -	- - - -	- - - -			6.3	n/a
1973	AFPRB DDRDB TSRB	6.5% 4.5% -Judiciary -Others	Yes Yes Yes Yes	- - - -	- - - -	- - - -	) Stage 2 of the Pay) Code provided for) a pay limit of £1 and) 4% with a personal) limit of £250pa		9.2	n/a
1974	AFPRB DDRDB TSRB	13% 7.4% -Judiciary -Others	Yes Yes Yes Yes	- - - -	- - - -	- - - -	) Stage 3 of the Pay) Code provided for 7%) or an average £2.25) per week with an) individual maximum) of £350 pa		15.2	n/a
1975	AFPRB DDRDB TSRB	29.5% 30% -Judiciary -Others	Yes - - Under Secretaries only	- - - -	- - - -	- - - -) 14.4-28.8%		For the TSRB, a) second report in) 1974 recommended) increases of 28.8% Increases of 14.4 to 28.8% increase were awarded from 1.1.75 and it was intended that the second stage be paid from 1.1.76 but was never paid because of pay policy	21.7	26.2
1976	AFPRB DDRDB TSRB	£6 per week £6 per week -Judiciary -Others	Yes Yes Yes Yes	- - - -	- - - -	- - - -	) Phase 1 of the "Social) Contract" limited all) settlements to £6 per) week or £312 pa		18.9	21.0

Review Body Recommendations and Awards 1971 to date

YEAR	REVIEW BODY	RECOMMENDED	IMPLEMENTED IN FULL BY YEAR DUE DATE (1 APRIL EXCEPT WHERE SPECIFIED)	STAGED BUT IMPLEMENT IN FULL BY YEAR END (FIRST STAGE)	STAGED (FIRST STAGE)	ABATED TO	PRE-DETERMINED BY PAY POLICY	NOTES	RPI (APRIL ON APRIL)	TPI (APRIL ON APRIL)
1977	AFPRB TSRB -Judiciary -Others	5% £208pa £208pa	Yes Yes (1 Jan 1977) Yes (1 Jan 1977)	- - -	- - -	- - -	-	) Phase 2 of the "Social settlements to 5% with a minimum of £2.50 pw and maximum of £4 pw	17.5	16.3
1978	AFPRB DORB TSRB -Judiciary -Others	32% 10% 35% 35%	- Yes - -	- - - -	13% - - -	- - 10% 10%	-	) Phase 3 of the "Social Contract" provided for a 10% norm and the intended Phase 4 limit of 5% was abandoned when the Labour Govt lost office -AFPRB awarded 10% pay policy norm plus 3% for introduction of x factor awarded from 1.4.78. Full implementation would be brought into effect April 79 & April 80	7.9	2.1
1979	AFPRB DORB TSRB -Judiciary -Others	32.5% 25.7% 22.9% 23.2%	- Yes --	24.2 - 12.5 13.4	- - - -	- - - -	-	) For the AFPRB, 24.2% implemented by Labour Government prior to 1979 Election Incoming Conservative Govt implement 8.3% to fully implement RB recommendations	10.1	12.3
1980	AFPRB DORB TSRB -Judiciary -Others	16.8% 31.4% 35.7% 38.2%	Yes Yes - -	- - - -	- - - -	- - 12.6% 12.6%	-		21.8	18.4
1981	AFPRB DORB TSRB -Judiciary -Others	10.3% 9% 12% 12%	Yes - - -	- - - -	- - - -	- 6% 7% 7%	-	- DORB Recommended 9% Govt implemented 6%) 1981 TSRB interim report recommended increases averaging 12 per cent to bring the salaries they recommended for 1 April 1980 in their 1980 report up-to-date Government abated award	12.0	15.7

Review Body Recommendations and Awards 1971 to date

YEAR	REVIEW BODY	RECOMMENDED	IMPLEMENTED IN FULL BY YEAR DUE DATE (1 APRIL EXCEPT WHERE SPECIFIED)	STAGED BUT IMPLEMENT IN FULL BY YEAR END (FIRST STAGE)	STAGED (FIRST STAGE)	ABATED TO	PRE-DETERMINED BY PAY POLICY	NOTES	RPI (APRIL ON APRIL)	TP1 (APRIL ON APRIL)
1982	AFPRB	6.1%	Yes	-	-	-	-) DDRB recommended 6% plus restoration of 1981 abatement (worth 9%) Govt implemented 6%	9.4	9.7
	DDRS	6%	Yes	-	-	-	-			
	TSRB -Judiciary	24.3%	-	-	-	18.6%	-			
	-Others	19.4%	-	-	-	14.3%	-			
1983	AFPRB	7.2%	Yes	-	-	-	-	DDRB recommended 7% plus 2.7% restoration of 1981 abatement (9.7%). Govt accepted but staged implementation of restoration from 1 Jan 84	4.0	3.5
	DDRS	7%	-	7%	-	-	-			
	TSRB -Judiciary	11.7%	-	4.5%	-	-	-			
	-Others	11.7%	-	5.85%	-	-	-			
1984	AFPRB	7.6%	-	4.92%	-	-	-	-	5.2	6.4
	DDRS	6.9%	-	4.63%	-	-	-			
	TSRB -Judiciary	6.5%	-	4.46%	-	-	-			
	-Others	6.5%	-	4.46%	-	-	-			
	NPRB -Nurses	7.5%	7.5%	-	-	-	-			
	-PAs	7.8%	7.8%	-	-	-	-			
1985	AFPRB	7.3%	Yes	-	-	-	-	-	6.9	4.1
	DDRB	6.3%	-	5.3 (1 June)	-	-	-			
	TSRB -Judiciary	16.3%	-	7.1 (1 July)	-	-	-			
	-Senior Civil Service	12.2%	-	5.1 (1 July)	-	-	-			
	-Senior Military	17.6%	-	7.3 (1 July)	-	-	-			
	NPRB -Nurses	8.6%	-	5.6	-	-	-			
	-PAs	12.1%	-	5.6	-	-	-			
	-	-	-	-	-	-	-			
1986	AFPRB	7.46	-	5.6	-	-	-	-	3.0	1.2
	DDRB	7.6	-	5.7	-	-	-			
	TSRB -Judiciary	6.7	-	3.1	-	4.1 (& staged)	-			
	-Others	6.5	-	3.0	-	4.0 (& staged)	-			
	NPRB -Nurses	7.8	-	5.85	-	-	-			
	-PAs	8.2	-	6.15	-	-	-			

Review Body Recommendations and Awards 1971 to date

YEAR	REVIEW BODY	RECOMMENDED	IMPLEMENTED IN FULL BY YEAR DUE DATE (1 APRIL EXCEPT WHERE SPECIFIED)	STAGED BUT IMPLEMENT IN FULL BY YEAR END (FIRST STAGE)	STAGED (FIRST STAGE)	ABATED TO	PRE-DETERMINED BY PAY POLICY	NOTES	RPI (APRIL ON APRIL)	TPI (APRIL ON APRIL)	
1987	AFPRB	5.96	Yes	-	-	-	-		4.2	2.5	
	DDRB	7.7	Yes	-	-	-	-				
	TSRB	-Judiciary	4.8	-	4.25	-	-	-			
		-Others	4.8	-	4.25	-	-	-			
	NPRB	-Nurses	9.5	Yes	-	-	-	-			
-PAMs		9.1	Yes	-	-	-	-				
1988	AFPRB	6.4	Yes	-	-	-	-		3.9	1.7	
	DDRB	7.9	Yes	-	-	-	-				
	TSRB	-Judiciary	7.4	-	4.0	-	-	-			Nurses Subsequently recosted at 17.9% in the light of the regrading outcome.
		-Others	5.4	-	4.0	-	-	-			
	NPRB	-Nurses	15.3	Yes	-	-	-	-			
-PAMs		8.8	Yes	-	-	-	-				
1989	AFPRB	6.8	Yes	-	-	-	-		6.8 (Dec on Dec)	4.8 (Dec on Dec)	
	DDRB	8.8	No	-	-	8.2	-				
	TSRB	-Judiciary	6.5	Yes	-	-	-	-			
		-Others	6.5	Yes	-	-	-	-			
	NPRB	-Nurses	6.8	Yes	-	-	-	-			
-PAMs		7.7	Yes	-	-	-	-				

DRAFT PQ ON IAC REPORT ANNOUNCEMENT

Question : To ask the Secretary of State for Education and Science, when the second Report of the Interim Advisory Committee on School Teachers' Pay and Conditions will be published.

Answer :

MR KENNETH BAKER

It is being published today. Its main recommendations are

- a 6% increase in the main pay scale for teachers from 1 April 1989
- a 7% increase in the value of the five rates of incentive allowances from 1 April 1989
- a 7.5% increase in the salaries of the 55,000 Heads and Deputies from 1 April 1989
- an extra 9,500 incentive allowances for the 1989-90 academic year, on top of the additional 18,000 already planned
- a 5.6% increase in London allowances from 1 July 1988.

I propose to accept the Committee's recommendations in full. I am today initiating the consultation required by Section 3(1) of the Teachers' Pay and Conditions Act 1987 by writing to the relevant local authority associations, teacher unions and bodies representing the interests of the governors of voluntary schools, setting out my proposals. The text of the letter is as follows:

[text of consultation letter]

LETTER FROM THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE TO
THE RELEVANT LOCAL AUTHORITY ASSOCIATIONS, TEACHER UNIONS AND
BODIES REPRESENTING THE INTERESTS OF THE GOVERNORS OF VOLUNTARY
SCHOOLS

TEACHERS PAY AND CONDITIONS OF EMPLOYMENT

1. On 14 September 1988 I asked the Interim Advisory Committee on School Teachers Pay and Conditions to examine and report to me on certain issues. I enclose a copy of the Committee's report which is being published today. The Committee's recommendations are summarised in Chapter 9 of its report. I propose to make an Order giving effect to the recommendations referred to in paragraphs 2 and 3 below. But before I take a decision on what provision ^{the Order} I should make, I invite your views. This letter therefore initiates the consultation required by Section 3(1) of the Teachers' Pay and Conditions Act 1987.

2. I propose to accept the Committee's recommendations that

- i. the salaries of all qualified teachers should be raised by a uniform 6% to the figures set out in paragraph 4.13 of the Committee's report with effect from 1 April 1989;
- ii. the salaries of unqualified teachers should be raised by the same percentage, (paragraph 4.13). The allowance for teachers of the visually impaired and hearing impaired would also be increased by 6%;
- iii. the spot salaries for Heads and Deputies should be increased by 7.5% with effect from 1 April 1989, (paragraph 4.21);
- iv. the rates of the London area allowances should be increased by 5.6% with effect from 1 July 1988, (paragraph 5.16);

- v. the value of each of the incentive allowances should be increased by 7% with effect from 1 April 1989, (paragraph 4.34);

- vi. the planned number of incentive allowances should be expanded from September 1989 by 9,500 (5,000 extra A allowances; 2,500 B allowances; 1,500 C allowances and 500 D allowances): (paragraphs 4.31 and 4.32). There will need to be some consequential revisions to the limits relating to incentive allowances in Annex A to Appendix I of the School Teachers Pay and Conditions Document 1988, (paragraph 4.33).

3. The Committee makes a number of other recommendations which would require amendments to the School Teachers' Pay and Conditions Document 1988 (the 1988 Document):

- a. that teachers returning to regular full-time or part-time teaching should be paid on re-entry at no lower point on the mainscale than when last employed as a regular full-time or part-time teacher (paragraph 5.21)

- b. that, contingent upon the introduction of the proposed licensed teacher arrangements, there should be discretion for local authorities or governors, as appropriate, to pay licensed teachers at either qualified or unqualified rates (paragraph 5.26)

- c. that local authorities (and, at the appropriate point, governors of schools with delegated budgets) should be given discretion to accelerate a teacher's progression to the top of the mainscale (paragraph 5.29)

- d. that once the necessary regulations under Section 218 of the Education Reform Act have

been made, a teacher who is awarded Qualified Teacher Status (QTS) retrospectively should be entitled to receive back pay from any authority he/she has worked for from the date from which his/her qualification runs, to make good any difference between what he/she was actually paid up to the point when QTS was awarded and what he/she would have been entitled to as a qualified teacher (paragraph 5.41)

- e. that the discretions over pay and conditions currently exercised by local education authorities set out in Appendix I of the report should be transferred to governing bodies of schools with budgets delegated under Chapter III of Part I of the Education Reform Act 1988 (paragraph 7.24) and that the decision on whether it is "reasonably practicable to provide a supply teacher" should transfer to the governors in those schools where the governing body have been made responsible, under the relevant LMS scheme, for managing the arrangements for providing supply teachers (paragraph 7.26)
- f. that the functions, both mandatory and discretionary, currently allocated to LEAs under the 1988 Document should be allocated to governing bodies of grant maintained (GM) schools (paragraph 7.28)
- g. that where a GM school was formerly a voluntary school, a head teacher should carry out his/her professional duties in accordance with any trust deed applying to the school (paragraph 7.29)
- h. that salary safeguarding on a discretionary basis and discretionary safeguarding on

London allowance and social priority allowance should apply in both directions between a GM school and its former maintaining authority (paragraph 7.31)

- i. that the provision in relation to cover at sub paragraph 35(9)(b)(ii) of the 1988 Document should be amended in the direction of wording suggested by the Professional Association of Teachers (paragraph 8.9)
- j. that the reference to payment for midday supervision at paragraph 23 of the 1988 Document should be deleted (paragraph 8.14)
- k. that the reference to education legislation in the "overriding requirements" section of head teachers conditions of employment - paragraph 27(i) of the 1988 Document - should be updated to include the Education Reform Act 1988 (paragraph 8.24)
- l. that specific reference should be made in both head teachers and schoolteachers conditions of service to the Basic (including National) Curriculum, and, in the case of head teachers, to the collective worship requirements of the Education Reform Act (paragraph 8.25)

I propose to accept all these recommendations.

4. The Order I propose to make to give effect to all of the above would do so by bringing into effect a new School Teachers' Pay and Conditions Document. The Committee's remaining recommendations do not require changes to the 1988 Document: I do not therefore propose to change the document in response to those recommendations. Nor is it intended to revise the RSG settlements for 1989-90 on account of the proposals set out in paragraphs 2 and 3 above. The cost will be offset in part by the

● greater than expected reduction in the employers' contributions to the Teachers Superannuation Scheme which I announced on 10 February.

5. Any comments on the proposals set out above and on any other matters raised in the report are invited by 10 March. If you would like to express your views in a meeting would you let my office know of this as soon as possible so that any meetings can take place before Easter.

6. Following these consultations a new School Teachers' Pay and Conditions Document will be prepared. There will then be opportunity to comment on the precise wording of the amendments prior to the publication of the new Document and the laying before Parliament of an Order which will give effect to its provisions.

7. The Interim Advisory Committee say that they hope it will be possible for a copy of the report to be seen by teachers in every maintained school. Enough copies of the report are being sent to each local education authority for a copy to be circulated in each school.

TEACHERS' PAY 1989-90: BULLETS

Value of Increase

1. The Committee's recommendations will add £470m to the pay bill in 1989-90. On top of this there will be another £100m of expenditure flowing from the changes introduced in 1987 and 1988. The overall pay bill will therefore rise by 7.5% in 1989-90.

2. No teacher will get less than 6%. Most will get more than that

- 55,000 Heads and Deputies will get 7.5%: most secondary Heads will get nearly £2,000 or more extra
- 27,500 additional teachers will receive incentive allowances - ranging from £860 to £4,700
- the 140,000 teachers already holding incentive allowances will see them increase by 7%
- half of the teachers on the main scale will receive an increment (worth around £700 to most teachers).

3. The report's recommendations mean an increase of over 40% in teachers' pay since March 1986.

4. The Committee again endorses the Government's view that the right criteria for determining pay are those of recruitment, retention and motivation. It explicitly rejects the notions of comparability and indexation against inflation.

Incentive Allowances

5. Over 35,000 teachers have already got allowances as a direct result of the new pay structure introduced in 1987, in addition to the 104,000 former Scale 3, 4 or 5 teachers who received them automatically.
6. The extra 9,500 allowances are on top of plans which would have seen 50% of primary and 60% of secondary teachers receiving allowances or being heads or deputies by September 1989.
7. Over 20,000 extra teachers can look forward to receiving A allowances, giving them increases of at least 12%.
8. I welcome in principle the IAC's longer-term suggestions for increased numbers of incentive allowances.

Position of Individual Teachers

9. A teacher formerly on the top of Scale 1 will see his salary rise by nearly 13% this year, giving a total increase of some 50% since March 1986.
10. If a teacher was also awarded an A allowance this September his increase this year would be nearly 20%, making some 60% since March 1986.
11. A teacher already on the top of the main scale who is awarded one of the new A allowances from September will see his salary rise this year by over 12%. If he is awarded a B allowance his increase will be over 15%.
12. A teacher on the top of the main scale who is promoted from a B to a C allowance in September (when nearly 11000 new C allowances will be on offer) will see his salary rise this year by nearly 15%.

Teacher Recruitment

13. The IAC has looked carefully at the need to recruit, retain and motivate teachers of the quality we need. The Government proposes to accept their recommendations for pay rates in 1989-90 in full. It is for local authorities to decide how best to use the wide ranging flexibilities within the pay arrangements to meet their particular recruitment problems.

Affordability

14. The reduction in employers superannuation contributions to the Teachers Superannuation Scheme announced last Friday goes a substantial way towards covering the difference between the remit figure and the cost of the IAC's recommendations. The overall cost must anyway be seen in context: planned spending by local authorities amounts to around £30 billion in 1989-90; total general grant to local authorities for 1989-90 is over £13.5 billion.

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The residue is under £50m which is less than one fifth of one per cent of their spending overall. [An element of the extra cost is discretionary.]

New Pay Structure and Conditions

15. It is clear from the report that the new pay structure is now widely accepted. The Committee see it as the base on which to build future pay arrangements involving a significant and increasing degree of flexibility.

16. The Committee make a large number of detailed recommendations for changes to the Teachers' Pay and Conditions Document. Not all originated with the Government. They are all sensible and we are happy to accept them.

INTERIM ADVISORY COMMITTEE REPORT

QUESTION AND ANSWER BRIEF

NEXT STEPS

1. When did the Secretary of State receive the IAC report?

On 10 February.

2. Is the report being published in full?

Yes.

3. Who is being consulted?

The Secretary of State has today written to representatives of the relevant local authority associations, the teacher associations, and those organisations representing the interests of the governors of voluntary schools. Comments have been invited by 10 March. The opportunity to express views in a meeting has also been offered.

4. How long will the consultation take?

The first stage is consultation on the IAC report and on the proposals set out in today's letter from the Secretary of State. Following those consultations a revised version of the Teachers' Pay and Conditions Document will be prepared. The statutory consultees will be shown the precise wording of the amendments to the Document, and given an opportunity to comment prior to the publication of the Teachers' Pay and Conditions Document and the laying before Parliament of an Order which will give effect to the provisions in the revised Document.

5. When will teachers receive their pay increases?

With effect from 1 April. Any back-pay should be in their pockets before the summer holidays at the latest.

6. Is not the Secretary of State prejudging the outcome of consultations by publishing his proposals before others have read the report?

No. The Act requires the Secretary of State to consult before making an Order changing the pay rates for school teachers. That consultation has to be on the basis of what he proposes to do.

7. Is the consultation bogus?

No. The Secretary of State will consider very carefully the views that are expressed, both about the IAC report and the proposals which he has set out today.

THE PAY PROPOSALS

8. What is the overall percentage increase for teachers?

The pay bill will go up by 6.3%, but the effect on the pay of individual teachers will depend on whether they have an incentive allowance or receive an increment, and whether they are heads or deputy heads. A teacher who was formerly on the top of Scale 1 and is not teaching in London will receive an increase of £1572 during 1989, reaching a salary of £13,923 by September. If he was given an A allowance during that year he would receive a further £858.

9. How is the figure of £469.5m calculated?

The 6% increase in the main scale costs £340.1m and the 7% increase in the value of incentive allowances a further £23.1m. Adding 9500 more allowances to the existing plans to increase the number of allowances by 18000 this September costs £8.8m in 1989-90 and £15m in a full year. Giving Heads and Deputies a rise of 7.5% adds a further £93.1m and the 5.6% increase in London weighting costs £4.4m.

10. Where does the extra £100m come from?

This is the additional cost in 1989-90 of extra increments for former Scale 1 teachers and the award of new incentive allowances which were part and parcel of the 1987 and 1988 settlements. About 73000 teachers will benefit from these in 1989-90.

11. Has not the IAC broken out of the straightjacket set by its terms of reference?

The IAC was asked to make recommendations which took account of "the Government's view that school teachers' pay and conditions of service should be such as to enable the maintained school system to recruit, retain and motivate sufficient teachers of the required quality". This is what they have done and the Government proposes to accept their recommendations in full.

12. Why should teachers accept this proposed rise as reasonable? They claimed variously between 19% and 30%. The review body groups will do better.

The Government proposes to accept the unanimous recommendations in the IAC report about pay rates. The Government believes that parents and the public more generally will recognise the thoroughness of the IAC report and the fairness of its recommendations.

13. The IAC is very critical about the limiting nature of the financial constraint.

The Government believes that the financial constraint provided a very important discipline for the work of the Committee.

14. The IAC is threatening further big increases for heads and deputies in future years.

The Government agrees with the IAC that the differentials between classroom teachers, deputies and heads should be kept under review in future years.

15. The Report shows that Incentive Allowances are being given to teachers down the main scale, not just to those at the top of it.

The Government welcomes this.

16. The report suggests a substantial expansion of the number of incentive allowances over the next few years

The Government welcomes this in principle. It proposes to accept the recommended increase in the number of allowances available in 1989-90.

AFFORDABILITY

17. Surely local authorities can't afford this increase: the RSG settlement was based on an increase of £385m

The Government does not intend to reopen the 1989-90 RSG Settlement.

Local authorities will benefit in 1989-90 from a greater than expected reduction in the rate of employers' contributions for teachers' superannuation, as set out in the report of the Government Actuary which I announced on 10 February. This should help them with implementing the IAC recommendations.

IF PRESSED

The RSG settlement for 1989-90 was generous. The amount of grant available will be 9% higher than that paid out in 1988-89. If authorities increased their spending in line with the settlement assumptions, rates would need to increase by only 2%, well below the rate of inflation. Implementing the IAC recommendations would add little to this. Local authorities will not suffer any grant penalties in 1989-90; and taking into account the factors above, the extra pressure arising from the IAC recommendations in England amounts to less than 0.2% of local authority spending (the extra pressure amounting to not more than about £50m compared with £58m - 0.2% of local authority spending).

The actual number of incentive allowances offered by individual authorities is a matter for their discretion, so if there are particular local financial constraints, there is some room for manoeuvre there also.

OTHER ISSUES

The IAC say one reason for teachers' low morale is that they feel they are held in low esteem.

Esteem has to be earned. Teachers forfeited a lot of trust and respect in their industrial action two years ago. It takes a lot longer to restore than to lose.

ANDREW ROBERT

46

HMT Ref: 3-0378

FOR ANSWER ON 16 February 1989

TREASURY

C - Gainsborough and Horncastle

298 Mr Edward Leigh

To ask Mr Chancellor of the Exchequer, whether he will make a statement on the pay of Civil Service lawyers at grades 2 and 3.

MR PETER BROOKE

As indicated by my rt hon Friend the Prime Minister's reply to my hon Friend the Member for Salisbury on 19 January (col 263) the Government has consulted the TSRB on the proposals affecting the pay of grades 2 and 3 lawyers in Sir Robert Andrew's report on the Government Legal Services.

From 1 April 1989 greater use will be made of personal pay points on a selective basis for lawyers at these grades. Awards will be related to lawyers' skills, experience, marketability and value to the department, taking account of the view of the Head of the Government Legal Service in individual cases. The Government will give further thought, with the TSRB, to the implications for the development of performance pay at grades 2 and 3.

Lawyers in London at Grade 3, in common with other Grade 3 civil servants, will benefit from the Government's acceptance of the TSRB's recommendation of a London allowance of £2,000.

CONFIDENTIAL until 4.00 PM 16 FEBRUARY
then Unclassified

ANDREW REPORT

Details?

Sir Robert Andrew's report on the Government Legal Service was published on 19 January. The Prime Minister's statement said that the Government was consulting the TSRB on his recommendation affecting the pay of lawyers in the Senior Open Structure. That has now been done. See Paymaster General's statement.

What was recommendation?

Lawyers in grades 2-3 should be paid on the basis of personal pay points which would take account of both the London factor (where applicable) and the concept of job value.

Why did Andrew Report make recommendations for pay of lawyers in Senior Open Structure?

Sir Robert Andrew dealt with structure of whole Government legal service; his report made clear his recommendations for lawyers in Senior Open Structure were made to Government - who naturally consulted TSRB in this aspect.

What's special about lawyers?

Selective increases for lawyers designed to reflect marketability and value of lawyer to department ie respond to recruitment and retention factors.

No London allowance for grades 2 and 3 lawyers (Andrew report suggested special lawyers' allowance of order of £3000)?

Government has accepted TSRB recommendation of London allowance of £2000 for all grade 3 civil servants. Special allowance for London lawyers therefore inappropriate. As Andrew recommendation said, personal pay points can take account of London factor as appropriate.

● What are personal pay points?

In principle, all points on grade 2 and 3 scales, including discretionary points, can be used as personal pay points.

How many lawyers will get them?

Intention is that arrangements should be applied selectively, and criteria applied strictly. Experience across departments likely to vary considerably. Treasury expects that only a minority across the service as a whole will qualify.

Andrew envisaged increase of up to £10,000 a year for London lawyer in post of highest job weight, skills and marketability?

Andrew saw this as rough guide, for the most exceptional cases. [If pressed grade 3 lawyer in London, now on £39,000, could see pay rise to £49,600 if awarded top personal pay point, with £2,000 London allowance.]

Personnel management questions: refer to Mrs Harrop, Lawyers Management Unit, 270-5603.



CABINET OFFICE

R.T.J. Wilson

Paul REVIEW BODIES

1. Treasury do do briefings
of a briefing and do have it
in hand.
2. I am reminded by the Treasury
that the custom is for Depts to
let you have drafts to the chairman.
Diana Scumme will let you have
the TSRB one; Peter Womoda
is doing the DDRB. Both already
have drafts in hand.

RJT.



10 DOWNING STREET
LONDON SW1A 2AA

File
Pm
C. Hunt
MOO
Leo
Rawison

16 February 1989

THE PRIME MINISTER

Dear Lord Plowden,

I am writing to thank you and your colleagues for the Twelfth Report of the Top Salaries Review Body. I am most grateful once again for the time and effort that you all put into the work, and in particular for meeting our earlier deadline this year.

As you will know, I announced today our decision to accept your recommendations, with only one very minor modification, and to implement them in full from 1 April 1989.

I would also like to take this opportunity to thank you for your outstanding service as a member of the Review Body since 1977 and especially as Chairman for the last seven years. I am particularly grateful that you were able to steer the Review Body through the 1989 review. I am sure that David Nickson will have benefited greatly from your advice and experience; he will have a hard act to follow in taking over from you as Chairman for the 1990 review.

On behalf of the Government, and all who have become associated with you in the course of your long and distinguished service, I wish you a long and happy retirement.

Yours sincerely

Margaret Thatcher

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

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PRIME MINISTER

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PAY REVIEW BODY REPORTS

The main papers are in the Cabinet folder.

The normal custom is for letters from you to the four Review Body Chairmen to be sent out early tomorrow afternoon. It would therefore be helpful if you could sign these (attached) overnight.

I also attach the latest version of the PQ Answer. I have just been alerted by the Treasury to one point the Chancellor may want to amend. The end of the penultimate paragraph refers to a total increase in NHS provision of £1899 million. However, the Treasury are concerned that this will be compared with a figure of some £2 billion extra resources (ie, including the funds flowing from cost improving programmes) that they used at the time of the Autumn Statement. So the Chancellor may want to suggest adding a sentence to the effect that "This brings the increase in total resources to some []". I hope we can sort this out outside Cabinet.

hlc

PAUL GRAY

15 February 1989

PM2AIQ

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

15 February 1989

Paul Gray Esq
10 Downing Street
LONDON
SW1

Dear Paul

TSRB: PRIME MINISTER'S LETTER TO LORD PLOWDEN

... As you requested, I enclose a draft letter for the Prime Minister to send to Lord Plowden tomorrow.

I am copying this letter and attachment to Trevor Woolley (Cabinet Office).

*Yours
Alex*

A C S ALLAN
Principal Private Secretary

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Ref. A089/462

PRIME MINISTER

CABINET: PAY REVIEW BODIES

Paper by the Secretary of the Cabinet (C(89)4)

The paper which I have circulated sets out the conclusions and recommendations at your meeting yesterday with the Ministers directly concerned, for consideration by the Cabinet.

Conclusions

2. You will wish the Cabinet to record conclusions on:

- i. the size of the pay increases for the various groups covered by the Review Bodies;
- ii. the size of pay increases for school teachers in England and Wales, following the recommendations by the Interim Advisory Committee (IAC);
- iii. the form and timing of announcements.

Size and timing of pay increases

3. You may wish to draw on the following summary of the conclusions of your meeting:

- i. The reports of the review bodies on the armed forces, on professions allied to medicine, and on nurses should be accepted in full.
- ii. The report of the review body on doctors and dentists should be accepted except for the increases at the top of the consultants' scale and in the size of their distinction awards. These would have given big increases (up to 13%) for consultants. The Review Body said it was proposing them to improve the long-term career structure for hospital doctors. That objective can be better achieved by the increase of 100 in consultants posts proposed by the White Paper, "Working for Patients".

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- iii. The report of the Top Salaries Review Body should be accepted, subject to a point on two star officers. The Review Body proposed that their pay should be linked to the first performance point for Grade 3 civil servants. It seems wrong to link standard pay to a performance point in this way. Instead, the pay of two star officers will be around 85% of the normally attainable maximum for Grade 2 Civil Servants, which is also the pay point for 3-star officers. This will give them the figure recommended by the TSRB, while preserving the necessary link with the Civil Service.
- iv. On financing, the cost of the TSRB and armed forces awards will be met from current provision. For the NHS groups, the cost in excess of this is £248m. £44m will be covered by cost improvements, with the rest coming from the Reserve. This will establish the important principle that Review Body awards are not necessarily met in full every year.
- v. The recommendations of the IAC should also be accepted. These are for a 6.3% increase to the pay bill, with above average increases for heads and deputies and in the value of incentive allowances. No extra funding should be provided to pay for this increase.
- vi. The opportunity of next Session's Bill on Parliamentary procedure should be used to remove the requirement for an Affirmative Order for increases in the Lord Chancellor's salary.

Points that may be raised

4. The proposals in the paper have of course already been discussed by the Ministers directly concerned. Mr Walker, who could not be present at the meeting, did however argue in his minute to you of 13 February that the excess cost of the awards of the NHS groups should be funded in full from the Reserve. If he presses this view, you could draw on the following points:

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- i. Last year the cost was met in full from the Reserve. If it happened again this year, it might establish a presumption that this would always be done which would be hard to break in future years.
 - ii. The proposal is that the great bulk of the excess cost should come from the Reserve - £204m out of £248m.
5. On teachers' pay, the IAC have gone beyond their remit by £85m. The Chancellor argued at your meeting that this showed the importance of replacing it before next year by a Teachers Negotiating Group, in which the Government would have a majority on the management side and be able in the last resort to impose a settlement. The Government have already, following an E(EP) decision, stated their preference for this as the long-term solution. Nevertheless, you will want to consider how far Cabinet should get into this question tomorrow. The long-term arrangements for Scotland have not yet been decided and Mr Rifkind is strongly opposed to a power of imposition there, although this has so far been regarded as an essential feature of what is proposed for England and Wales.

Form and timing of the announcement

6. We propose that as in previous years the announcement on the Review Bodies should be made by you in a Written Answer tomorrow afternoon, 16 February. Mr Baker would announce the decision on the IAC report in another Written Answer at the same time, Draft answers are attached to the paper for Cabinet. You will wish to get Cabinet endorsement of them. They have been agreed by the Departments concerned. (The Paymaster General will also give a Written Answer dealing with points on the pay of Grade 2 and 3 lawyers following the Andrew report: but this does not need to be mentioned.)
7. There will need to be an Order subject to Affirmative Resolution to maintain the differential between the Lord Chancellor's salary and the Lord Chief Justice's salary. The paper proposes legislation next Session to remove this requirement, but it will still apply this year.

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HANDLING

8. You may wish to open the discussion yourself and steer the Cabinet towards the provisional conclusions set out in the paper. Ministers who have not taken part in the discussion so far may wish to express a view. Three Ministers who could not come to your meeting yesterday have direct Departmental responsibilities: the Secretary of State for Wales for the NHS groups and teachers in Wales, the Secretary of State for Northern Ireland for NHS groups there, and the Lord Chancellor for judges. The business managers may wish to comment on presentation and Parliamentary aspects.

R.R.B.

ROBIN BUTLER

Cabinet Office
15 February 1989

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cc Group A
13B.(A-H)

P 03366

PRIME MINISTER

REVIEW BODY REPORTS 1989

[Note by the Cabinet Office; and minute of 10 February
by the Secretary of State for Education and Science]

DECISIONS

1. The aim of the meeting is to reach decisions on this year's Review Body reports so that, subject to agreement by Cabinet, an announcement may be made on Thursday afternoon, 16 February. Decisions are also needed on this year's report from the Interim Advisory Committee (IAC) on teachers' pay, again with a view to announcement on Thursday.
2. You may wish to deal with the Review Body reports first, perhaps asking the Chancellor of the Exchequer for any preliminary comments and then working through the points requiring decision in paragraph 20 of the Cabinet Office note. Briefing on these points is set out below. You may wish to conclude by inviting the Secretary of the Cabinet to circulate a paper to Cabinet setting out the group's conclusions for endorsement on Thursday, together with a revised text of the draft Written Answer which will announce the decisions to Parliament.
3. On teachers' pay the issue is whether to accept the IAC's recommendations, in particular for an increase in the pay bill of 6.3% from 1 April 1989. Mr Baker wants to accept their recommendation. In considering this, you may want to concentrate on the size of the proposed increase in relation to the review bodies' awards, pay settlements elsewhere, and the rate of inflation. You will also want to take account of the fact that, for the second year running, the IAC have gone beyond their remit. Mr Baker's paper contains a paragraph inserted by the Treasury (paragraph 13) arguing for an abatement of the recommendation. We understand

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That the Treasury have inserted this for tactical reasons. They are prepared to accept the IAC recommendations in exchange for getting a further assurance from Mr Baker that he will propose legislation to replace the IAC by a Teachers' Negotiating Group. You will however want to consider how far the meeting should get into the question of long-term machinery. There is a difficult Scottish dimension.

MAIN ISSUES

Review Body Reports

4. The main issues for decision are set out in paragraph 20 of the Cabinet Office note. You may wish to work through them.

5. Abatement or staging. The first question is whether there should be any abatement or staging of Review Body awards across-the-board or individually. The paper sets out two options, first for staging all the awards from 1 August and second, for paying 4% from 1 April with the balance from 1 October (paragraphs 12 and Annex E). In your discussion with the Chancellor, you concluded that special attention this year should be given to the DDRB award for the consultants, and also to the proposed link between the pay of two-star officers and the first discretionary increment for Grade 3s (both dealt with below). You may wish to conclude that, apart from the issues on consultants and two-star officers, the Review Body awards this year should be accepted without staging or abatement.

6. DDRB and consultants. The second question is whether there should be any abatement of the DDRB award, with a similar abatement for clinical academics, and what form it should take. When you discussed this with the Chancellor you agreed that the right course was to abate the increase for consultants, on the grounds that the increase in the number of consultants announced in the White Paper on the NHS would provide a better incentive to doctors to opt for a hospital career than the Review Body recommendations. This would save £19 million, made up as follows:

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i. rejecting the increase of £1000 at the top of the consultants' scale would save £17 million (see paragraph 3i);

ii. rejecting the increase in the A+ distinction awards from 95% to 100% of the consultant scale maximum would save £0.3 million (see paragraph 3ii);

iii. rejecting the increase in the number of the higher distinction and meritorious service awards would save £1.7 million (see paragraph 3iii).

7. Our understanding from the Department of Health is that Mr Clarke is likely to accept (i) and (ii), making a saving of £17.3 million, but that he may not be prepared to accept (iii). The argumentation in the DDRB in support of the increase in the number of awards is thin: they simply agree with the Chairman of the Central Advisory Committee that the very best consultants should be especially rewarded, and that there should therefore be 10 more A+ awards, 25 more A awards and 25 more B awards (paragraph 55 of the DDRB report). You will wish to decide whether the extra £1.7 million involved would be better spent on increasing the number of consultants as promised in the White Paper.

8. Funding. The third question is how the cost of the awards for NHS groups in excess of provision should be met. The Treasury are holding out for £50m for England (£62 million for the UK) to be financed by health authorities themselves out of cost-improvement programmes; the Department of Health are resisting this. Negotiations between Mr Clarke and Mr Major are still continuing. Our understanding is that Mr Clarke accepts the case for not funding the award fully, that he might be prepared to go as far as £25 million for England (£31 million for the UK) but that he believes that the Treasury's demands would precipitate a political controversy out of all proportion to the public expenditure benefit. You will wish to decide what the contribution from health authorities should be. In your meeting with the Chancellor, the Chief Secretary suggested £40 million for England, £50 million for the UK.

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●. Two-star officers. The fourth question is whether the TSRB's recommendation on linking 2-star officers to the first performance point of Grade 3 civil servants should be accepted. When you spoke to the Chancellor, you both agreed that relating a standard scale to a performance point was wrong in principle, particularly as many senior officers work alongside civil servants in similar jobs. You therefore favoured abating the TSRB recommendation so that 2-star officers continued to be aligned, as at present, with the top of the standard Grade 3 scale. This would give them £40,900, rather than £43,100.

10. We understand that the Secretary of State for Defence will resist this on the grounds that it is quite wrong to single out this particular group for abatement of a TSRB recommendation; and that the differential between 2-star officers (£40,900) and brigadiers (£38,748 from 1 April) would be too compressed. He may well argue that the Government should simply accept the figure recommended by the TSRB while making it clear that they do not accept the linkage with performance-related salaries in the Civil Service. The Treasury are however opposed to this: they fear that the absence of a linkage would remove all restraint from armed forces pay at the top. You will wish to decide what weight to give to the Secretary of State for Defence's concerns.

11. We have suggested a variety of possible solutions to the Ministry of Defence and to the Treasury, as a way through the problem, but neither has been prepared to give ground before this meeting. One possibility which you might explore would be to link 2-star officers to the mid-point between the bottom of the standard Grade 3 scale and the top discretionary increment for Grade 3s. This would produce a figure of £42,600, a little less than the £43,100 recommended by the TSRB, but more than the £40,900 proposed by the Treasury. The TSRB themselves considered this option and in their report said that they saw advantages in it (paragraph 59 of the TSRB report). Their main objection was that it would not provide a sufficient differential over one-star officers: but given that the differential would be around 10% this does not seem very strong.

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2. Next Steps. The fifth question is whether the Review Body reports should be published, and the Government's decisions on them announced, by Written Answer on 16 February. You will wish to agree this. The Written Answer will of course need to be revised in the light of discussion.

13. The Andrew report on the Government legal service made recommendations about the pay of Grades 2 and 3, in particular about the use of personal pay points and an extra discretionary performance point on their pay scale, which the Government promised to consider when they had received the TSRB's views. We understand that the Treasury plan a Written Answer on Thursday on the subject. You may wish to confirm this with the Chancellor, and ask what he intends to say.

14. Lord Chancellor's salary. Finally, there is the question whether next session's Bill on Parliamentary pensions should remove the requirement for an Affirmative Resolution procedure on the Lord Chancellor's salary. You may wish to agree that it should in principle, subject to the views of the business managers and further work on the detail.

TEACHERS' PAY: ISSUES

Background

15. The IAC is a statutory body advising the Secretary of State on teachers' pay since the abolition of the Burnham machinery in 1987. The 1987 consultative document on Teachers' Pay and Conditions described it as an interim arrangement. That document stated the Government's preference for a Teachers' Negotiating Group with the Government in the majority on the management side and with the power in the last resort to impose a settlement without arbitration.

16. Last September E(EP) agreed that the IAC should be directed to work within a cost of £385m, equivalent to an increase in the pay bill of about 5.1%.

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F.

Comparison with other pay increases, and inflation

17. In considering the IAC recommendations, you will want to take account of:

i. comparison with the review body awards. Mr Baker will no doubt point out that the recommendation is smaller than any of the review body awards. The basic increase of 6% on the teachers' Main Professional Grade is however greater than the basic increase of 5% for TSRB groups - although the public might well focus on the comparison between the total pay bill increases in the two cases;

ii. comparison with pay movements elsewhere. The Cabinet Office paper says (paragraph 4) that the average level of settlements so far in this pay round is 6.25% for the whole economy and 6.5% for the private sector;

iii. comparison with inflation. Mr Baker quotes the December RPI figure of 6.8%. He will not know that the January figure, to be published on 17 February, will be about 7.5%.

Comparison with Scotland

18. The IAC does not cover Scotland where settlements are agreed in a Scottish Joint Negotiating Machinery (SJNC), in which the local authorities control the management side. Last year, as a result, Scottish teachers got an increase of 6% compared with 4.75% for those in England. You may wish to ask Mr Rifkind about prospects for this year's Scottish settlement. The Staff Side have claimed a 9.75% increase and the management side are expected to make an offer on 27 February. This offer would therefore be known when formal procedures on the IAC recommendations were still being gone through.

The IAC remit

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G.

19. The IAC have gone beyond their remit by £85m, recommending increases costing £469.5m (or 6.3%) as against the remit of £385m (or 5.1%). Last year also they exceeded the remit, although then by only about £30m. You will want to consider whether it is right to accept this departure from the instruction they were given. The Chan cello is likely to make much of this. Mr Baker will argue that circumstances have changed radically since the remit was settled last September, when the RPI increase stood at 4.8%.

Abatement of the increase

20. The Chancellor has proposed abating the general increase - that is, the increase for the Main Professional Grade - to 5.1%, the figure Ministers had in mind when the remit was set. This would save £50m. You will want to consider whether such an abatement would be justified.

Structure of the increase

21. Annex A to Mr Baker's paper shows that incentive allowances account for only a very small proportion of the cost of the recommendations. You could ask if more should be spent on greater flexibility, by for example more rewards for efficiency, higher payments for subjects where teachers are scarce and more geographical variations. It might then be easier to hold down the basic increase. The report reveals (paragraph 4.14) that a minority of the Committee wanted to use any money available beyond the remit for such purposes.

22. The report proposes an expansion of the system of incentive allowances over the next five years. Annex C shows that the extra cost would reach £112m by 1993. Mr Baker says (paragraph 7) that there is no need now to do more than accept the recommendation for 1989-90, but you may wish to ask him whether doing so would make it much harder to reject the more expensive recommendation for later years.

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H.

Long-term pay determination arrangements

25. We understand that the Chancellor has proposed abatement for tactical reasons, and that he is prepared to accept the IAC recommendation in return for a promise from Mr Baker to legislate next session for the Teachers' Negotiating Group (TNG). You will want to consider how far to press Mr Baker on the TNG. The 1987 Green Paper said, following an E(EP) decision, that this was the Government's preference for the future, but Mr Baker argued against it at the time and has not yet made proposals for the legislation that would be necessary next session to put a TNG in place for the 1990 settlement. If there were no legislation, the life of the IAC could be extended for another year by affirmative order.

26. In considering whether to press Mr Baker on the TNG you will also wish to take account of the Scottish position. Last year, Mr Rifkind was strongly opposed to a power of Government imposition on Scottish teachers' pay, although this was a central feature of the TNG proposal for England. No final decision has yet been made on the Scottish machinery: E(EP) noted last year that they would have to review it before legislation was introduced for England.

AJW.

R T J WILSON
Cabinet Office
13 Februaryf 1989

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PRIME MINISTER

REVIEW BODY REPORTS 1989

I have seen the official report on the recommendations of this year's Review Body reports.

I am writing with particular reference to those proposals having implications for NHS funding. The report's estimate of the cost in Wales in excess of existing provision is £15m of which we estimate about £11.6m would be attributable to the Hospital and Community Health Services. This in itself would represent a volume squeeze of 1.3% on health authorities' resources in 1989/90.

The report considers three options for funding the excess costs of the awards for NHS groups. I am writing to firmly indicate my support for the second - where the costs would be fully met from the Reserve. I do not think we should concern ourselves unduly with the signals this sends the Review Bodies - we can convey those in our decisions on their proposals - what is more important is the need to maintain a tough but consistent approach to targets for cost improvements.

Health authorities in Wales have been set tight financial targets for the coming year, with cash increases on average of 6.3% - after taking into account the benefit of the reduction in employer's superannuation costs. I have also indicated to authorities that I expect them to contribute further to meeting service pressures by making cost improvements and generating additional income equivalent to at least 1.3% of recurrent revenue allocations.

I believe that these targets are challenging but attainable, and I think it is right and proper to impose this discipline on authorities. However, if any proportion of these savings is to be earmarked for the excess costs of the Review Body awards then there will be consequences for service provision which in the light of the White Paper I would not welcome.

/It is inevitable...



B.

It is inevitable that, within the level of funding provided, cost improvements for next year will be used to meet the likely excess costs of non-review body pay and the balance of un-met inflation. I cannot therefore realistically expect authorities to contain the full costs of the Review Body recommendations together with those pressures within the resources available to them and still provide for service developments.

In my view, therefore, it is essential that, whatever view we come to on the Review Bodies' recommendations, the excess cost should be met in full from the Reserve.

I am copying this to Nigel Lawson, James Mackay, George Younger, Norman Fowler, Tom King, Kenneth Baker, Kenneth Clarke, Malcolm Rifkind, John Wakeham, John Major, Richard Luce and to Sir Robin Butler.

PW

13 February 1989

Approved by the Secretary of State
and signed in his absence

PRIME MINISTER

REVIEW BODY REPORTS AND TEACHERS' PAY

You saw most of the papers for tomorrow's meeting over the weekend.

I now enclose:

- Flag A - Cabinet Office brief (which you have not seen before).
- Flag B - Cabinet Office paper on the Review Bodies.
- Flag C - Kenneth Baker's paper on teachers' pay.
- Flag D - The IAC Report on teachers' pay.
- Flags E & F - Two minutes from Peter Walker, just received, who is not coming to tomorrow's meeting.

I have not bothered to include in the folder tonight the Review Body reports themselves, but will have these at hand for the meeting.

You will see from the brief at Flag A that Messrs. Clarke and Major have not so far reached agreement on the question of funding the Health Service proposals. I alerted you over the weekend to the potential political difficulties of handling this issue.

Charles Baker

PP (PAUL GRAY)

13 February 1989

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126(A-B)

PRIME MINISTER

REVIEW BODY REPORTS AND TEACHERS' PAY

You are having a meeting next Tuesday morning with those Ministers concerned to discuss both the Review Bodies and Teachers' Pay. The plan then is for the issues to go to Cabinet on Thursday, with publication and announcements that same afternoon.

You have of course already had several discussions about the handling with the Chancellor. The papers in the folder are:

Flag A - Revised Cabinet Office paper on the Review Bodies. You discussed an earlier version with the Chancellor and Chief Secretary.

Flag B - Paper just received from Kenneth Baker on Teachers' Pay. As expected, he recommends accepting the IAC recommendations, while stressing to the local authorities that no more grant will be paid.

Flag C - The IAC report itself.

The various Pay Review Body reports, which you have seen before.

The main papers you will want to glance at over the weekend are the new ones on Teachers' Pay at Flags B and C. But you agreed with the Chancellor yesterday to go along with Mr Baker's recommendations.

There is one further point on the Review Bodies I would register. In the earlier discussion with the Chancellor and Chief Secretary you endorsed their proposal that Health Authorities should be asked to meet part of the cost of the HCHS awards from cost improvement programmes (paragraph 15(iii) of the paper at Annex A). It is not yet clear whether Ken Clarke will go along with that - he is meeting the Chief

Secretary to discuss it on Monday. But, meantime, you may want to consider the politics of this proposal. There is undoubtedly a strong case in logic for looking to Health Authorities to absorb part of the costs. But the Opposition will phrase this approach differently - the charge will be that the Government is not fully funding the pay awards. It is certainly the charge you can expect Mr Kinnock to deploy against you at Question Time.

The issue is whether you think there is a robust defence to that charge. I find it difficult to compose a quick one-line response. So, however unpalatable it may be to contemplate an extra £50 million of public expenditure, might this not be a price worth paying to avoid the damage a charge of 'not fully funding' might do to the the post-NHS White Paper atmosphere?

Rec G.

PAUL GRAY

10 February 1989



12(A-S).B

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-270

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MR P GRAY

10 February 1989

REVIEW BODY REPORTS 1989

I attach a note, co-ordinated by the Cabinet Office, which summarises the main recommendations of this year's Review Body reports and sets out possible courses of action for the Government, as a basis for discussion at the Prime Minister's meeting on Tuesday 14 February at 9.30 am.

The note is being copied to the private secretaries to the Chancellor of the Exchequer, the Lord Chancellor, the Secretaries of State for Wales, Defence, Employment, Northern Ireland, Education and Science, Health and Scotland, the Lord President, the Chief Secretary and the Minister of State, Privy Council Office, and to Sir Robin Butler.

I would be grateful if private secretaries receiving this note would be personally responsible for its handling, for ensuring that it is not copied and for showing it, where necessary, only to named officials who need to see it for briefing purposes.

R T J WILSON

Review Body Reports

The five Review Bodies have now reported. Their recommendations are as follows:

Review Body	Pay bill increase %	Range of increase %	UK public expenditure Cost (1) £m
Armed Forces (AFPRB)	6.8	5-8	272
Doctors & dentists (DDRB)	8.8	8-14.1	(2) 312
Clinical academics (consequence of DDRB)	10.8	8-13.6	8.5
Professions allied to medicine (PAM)	7.7	(3) 7.6-7.8	43
Nurses & midwives (NRB)	6.8	(3) 6.7-6.9	(4) 420
Top salaries (TSRB)	6.5	(5) 4.9-10.6	6

Examples of the increases within each main group are given in the Annexes.

- (1) The figures for public expenditure cost differ from those in the review bodies' reports. Their figures do not include some costs which count as public expenditure.
- (2) Includes £39m for practice expenses of family practitioners.
- (3) These mainly represent across the board increases of 7.7% and 6.75%. Three Chief Area Nurses grade 4 in Scotland will get increases of 10-13.6%. All other nurses and PAMs will get increases within the ranges shown.
- (4) Includes £5m recommended for flexible pay experiment, and £3m for new grading structure for educational grades, which the Review Body will be asked to price within the next few months.
- (5) Does not allow for recommendation to increase from 25% to 35% the quota of civil servants in Grades 2 and 3 eligible for discretionary increments. Also excludes restructuring for 13 Immigration Adjudicators who receive increases of 27.1%, and for the Chief Immigration Adjudicator and the Vice-Presidents of the Immigration Appeal Tribunal, who get 28.3%.

TSRB Report

2. The TSRB recommendations break down as follows:

- i. a basic 5% increase for all groups;
- ii. for the judiciary, some minor restructuring which would bring the pay bill increase to 5.2%;
- iii. for senior officers in the armed forces, 2-star officers would be linked to the Grade 3 first performance point rather than the top of the Grade 3 scale, as at present. The pay bill increase for 2 star officers would be 10.5% and for senior officers as a whole 8.6%.
- iv. for the civil service, structural changes to relate pay more closely to performance would be deferred but the quota of staff eligible for discretionary increments would rise from 25% to 35%. It is unlikely that the whole of the proposed increase in the quota would be taken up in the first year, but if it were, the additional cost in 1989-90 would be about £75,000, and about £150,000 in a full year which is about 1/2% of the pay bill for Grades 2 and 3. Otherwise, the only exception to the 5% basic increase would be the restoration of a London allowance for Grade 3s, at £2,000, a possibility to which the Government drew the TSRB's attention. The increase in the pay bill for Grade 3s would be 9.5% and for the whole group 8.2%.

DDR B report

3. The DDRB have recommended a basic 8% increase for all doctors and dentists in the NHS, with the following additions:

- i. an increase of £1,000 in the top of the consultants' scale, thus raising it by 10.8%. All distinction awards (except the A+ awards - paragraph 3ii below) would as a result also increase by 10.8%, since their size is related to the consultant maximum. This recommendation would add £17m to the DDRB pay bill (£14.6m for the direct salary cost, £2.4m for the effect on distinction awards);

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- ii. an increase in the A+ distinction award from 95% to 100% of the consultant scale maximum. Consultants enjoying this award as well as the increase at the top of the scale would get 13.6%. The cost would be £0.3m;
- iii a small increase in the number of the higher distinction and meritorious service awards. The cost would be £1.7m;
- iv. an additional point at the top of the Senior House Officer Scale, recommended by both sides, and costing £0.8m. Those covered would get an increase of 14.1%;
- v. a reduction in the number of working hours at which junior hospital doctors qualify for increased on-call allowances. Since this is designed to encourage authorities to reduce the hours worked, it is recommended that it be treated as a nil cost item.

Pay and price movements elsewhere

4. The Review Bodies' recommendations compare with:

- i. a year-on-year increase in underlying average earnings for the whole economy of 8.75% in November;
- ii. an average level of settlements for the whole economy since the start of the pay round (covering 30% of employees) of 6.25%. In the private sector the figure is 6.5%;
- iii a year-on-year increase in the RPI of 6.8% in December.

5. In the case of the TSRB report Ministers may also wish to take account of the likely developments in pay this year for the rest of the Civil Service. Around 30 per cent of the non-industrial Civil Service is already covered by flexible pay deals (IPCS, IRSF grades 5-7) and negotiations are coming to an end with the NUCPS and CPSA on similar arrangements for most of the remainder. There is likely to be some variation in the level of settlements between different groups, with almost all being staged in some way as a result of the introduction of the new pay agreements. A common feature for most staff will be an increase on 1 April of around 4%. But all will be

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followed by further significant payments later in the year. London payments are also generally being increased.

Financing

6. There should be no difficulty in financing the TSRB increases within existing provision.

7. The Ministry of Defence have confirmed that the AFPRB award can be afforded within the provision made in the Estimates for 1989-90.

8. The biggest requirement for financing arises on the NHS groups. The total cost of the recommendation in excess of existing provision is about £ 265m. This can be broken down in two ways:

i. £203m on the cash-limited Hospital and Community Health Services and £62m on the Family Practitioner Services which are not cash limited;

ii. £212m in England, £29m in Scotland, £15m in Wales and £9m in Northern Ireland.

9. The pay of clinical academics is kept in line with that of DDRB groups, but falls on the Department of Education and Science. The cost in excess of provision would be £4m. (1)

The options

10. One option is of course acceptance of the awards in full. Ministers may however wish to consider options on both the abatement or staging of the awards themselves, and on financing the cost in excess of provision.

(1) The Treasury and DES have agreed that, if a DDRB settlement gives rise to an increase in Hospital and Community Health Provision, an increase should also be made in the DES programme, equal to the cost of paying clinical academics any difference between the DDRB settlement and the pay settlement for non-clinical academics.

Abatement or staging

11. One option is to abate the recommendations. TSRB apart it has been done only once (for DDRB in 1981), and the abatement was restored in 1984. It is traditionally regarded as the least acceptable method, not only to the professions but to the Review Bodies themselves, who in recent years have set considerable store by the fact that each year's recommendations have been in full payment by the date of the following report. This year however, there are special considerations in respect of the extra payment to consultants recommended by DDRB, which do not apply to the other reports. And these arguments do not, for any of the awards, rule out staging, the usual method of reducing the cost of Review Body awards in the first year.

12. Annex E shows the savings from two options for staging all the awards:

- i. deferment until 1 August of all payments except the reimbursement of practice expenses for family practitioners which are a contractual commitment; and
- ii. payment from 1 April of 4% plus expenses as above, and the balance from 1 October.

DDRB award

13. Ministers may wish to give special attention this year to the possibility of scaling down the DDRB awards. In addition to the general option in Annex E for deferment or staging, which could be applied selectively if desired, there is a range of options for abatement of the DDRB recommendations. Some possibilities are:

- A. Awarding doctors and dentists no more than nurses (6.75%), either with or without removing the extra benefits for consultants. This would save £70m.
 - B. Abating the increase in the pay bill to 8%, leaving the extra benefits for consultants. This would save £25m.
-

Rejecting the increases in the consultant scale maximum and the value of consultants' distinction awards (paragraph 3i and ii) and possibly the increase in the number of awards (paragraph 3iii), but otherwise accepting the recommendations in full, including the 14.1% increase for Senior House Officers. This would reduce the increase in the pay bill to fractionally over 8% and save £17.3m if the increases in paragraphs 3i and ii are rejected, or £19m if the increase in the number of distinction awards in paragraph 3iii is rejected too. There would also be a saving of £1.2m on clinical academics.

14. Ministers may wish to concentrate on Option C. It is the only one that involves full acceptance of the recommendations for all groups except consultants. The rationale for rejection of the extra increases for consultants might be that the White Paper on the NHS proposes an increase in the number of consultants, and that in the Government's view this would provide a better incentive to doctors to opt for a hospital career than the Review Body recommendations. Ministers will want to consider how far this argument applies to all the extra benefits for consultants, including the increase in the number of distinction awards.

Financial options

15. The awards for NHS groups would, unless there is sufficient abatement or staging, involve a cost in excess of current provision. This cost would be £265m, of which £203m is on Hospitals and Community Health Services (HCHS). The cost of the Family Practitioner Service falls on the Reserve. The HCHS cost could be met either from within Health Authorities' existing allocations or from the Reserve. There are the following options:

- i. The HCHS cost could be met fully from within Health Authorities' existing allocations, but that would reduce the announced provision for patient care and harm the climate for the health review changes.
- ii. The HCHS cost could be met fully from the Reserve. This would be helpful in securing cooperation on the health review changes, but arguably it would give the wrong signal to the

Review Bodies, removing the pressure on them to moderate their recommendations in later years.

iii The health authorities could be asked to meet part of the cost from cash savings in their cost improvement programmes, with the rest being found from the Reserve. Officials recommend this but do not agree on the relative proportions. The Treasury argue that half the savings from cost improvement programmes in 1988-89 and 1989-90 should be used for pay, as in previous years. Some has been used for pay of other groups, but that would leave at least £50m (England), or about £62m (UK), for review body groups. The Department of Health do not accept that 1988-89 cost improvement programmes, which account for £40m of the Treasury's suggested £50m, can be prayed in aid since the money has already been spent on providing services. They consider that the cost improvement programmes for 1989-90 will have to finance the pay of non-Review Body groups.

To sum up, the three financing options are as follows:

	<u>From Reserve</u>			<u>From within</u>
	<u>FPS</u>	<u>HCHS</u>	<u>Total</u>	<u>NHS</u>
(i)	62	0	62	203
(ii)	62	203	265	0
(iii)	62	141	203	62

If Ministers chose any of the options in paragraph 13 for scaling down the awards, the cost to the Reserve would fall accordingly. For example, with Option C the cost would fall by £17.3-19m.

Link between 2-star officers and Grade 3 civil servants

16. One recommendation by the TSRB raises particular difficulty. This is the recommendation that would link the salary of two-star officers to the first performance point of Grade 3 Civil Servants rather than to the top of the standard Grade 3 scale as at present. There are

objections in principle to relating a standard scale to a performance point, particularly as many senior officers work alongside Civil Servants in similar jobs. On the other hand, abating the recommended salary to bring it down to the top of the standard Grade 3 scale would reduce the existing differential between two-star and one-star officers (Brigadiers). Options include:-

- i. Rejecting the recommendation, and keeping the present link between the salary of the two-star officer and the top of the standard Grade 3 scale. This would reduce the award by £2,200 and would give an increase of 4.9% to £40,900.
- ii. Accepting the recommendation in full: this would give an increase of 10.5% to £43,100.
- iii Accepting the figure recommended by the TSRB while making it clear that the Government does not agree that linkage of the pay of two-star officers with performance-related salaries in the Civil Service is appropriate.

Pensions

17. In accordance with current practice, pensions should follow salary rates in payment and not any notional salaries. If the Government decides to defer or stage any review body awards, members of the review body group in question who retired during the period affected would suffer a permanent loss of pension. In the case of the Armed Forces Pension Scheme, deferment or staging may in some cases increase the likelihood that the pensions of persons who retire in the period affected will be overtaken by those of persons who retired in the previous year.

Timetable and next steps

18. There seems a strong case for publishing the reports, and the Government's decisions on them, as soon as possible, so as to avoid speculation and leaks. This points to a final decision in Cabinet on 16 February and, if Cabinet agree, an announcement of the Government's decisions later that day. Government decisions on Review Bodies' awards have generally been announced by way of written reply. We recommend that the same arrangements be adopted this time and attach a possible draft, which will be revised in the light of Ministers'

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isions. Ministers will want to consider whether the Government's decisions on the recommendations of the Interim Advisory Committee (IAC) on teachers' pay should be announced at the same time.

19. There is no Parliamentary process, except that an Order is necessary to maintain the differential between the Lord Chancellor's salary and the Lord Chief Justice's, in accordance with declared Government policy. This requires an Affirmative Resolution in both Houses and has in the past created the opportunity for debate on the whole TSRB report. Last year it was suggested in Cabinet that it would be desirable if possible to remove this requirement. A change would require legislation. Next Session's Bill on Parliamentary pensions might provide a suitable opportunity. Ministers are invited to agree that this should be pursued. Annex F, by the Lord Chancellor's Department, sets out some of the questions arising.

Conclusion

20. Ministers are invited to decide:

- i. Whether there should be any abatement or staging of the awards across the board or individually, possibly by means of the options described in paragraph 12 and Annex E.
- ii. Whether there should be any abatement of the DDRB award, with a similar abatement for clinical academics, and whether it should take the form of one of the options in paragraph 13.
- iii. How the cost of awards for NHS groups in excess of provision should be met, possibly by one of the options described in paragraph 15.
- iv. Whether the TSRB's recommendations on linking 2-star officers to the first performance point of Grade 3 civil servants should be accepted.
- v. Whether to publish all the Review Bodies reports, and the report of the IAC on teachers' pay, and announce decisions by way of Written Answer to an arranged Parliamentary Question on 16 February.

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vi Whether, in principle and subject to further work on the detail, next session's Bill on Parliamentary pensions should remove the requirement for an Affirmative Resolution procedure on the Lord Chancellor's salary.

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AFPRB Report
Typical increases

	Present pay £	Recommended pay, from 1 April 1989 £	Increase %
Brigadier	36,555	38,748	6.0
Lieut Colonel on maximum	29,247	30,999	6.0
Captain on maximum	17,418	18,812	8.0
Staff Sergeant, Band 4	11,830	12,585	— 6.4
Corporal I, Band 2	11,195	11,990	— 7.1
Private IV, Band 1	5,705	6,063	— 6.3

The same rates apply to equivalent ranks in the other Services.

The figures for Staff Sergeants, Corporals and Privates all for men committed to 6 years' but less than 9 years' service.

DDRB Report
Typical increases

	Present pay £	Recommended pay from 1 April 1989 £	Increase %
<u>Hospital staff</u>			
Consultant, A + distinction award	69,225	78,680	13.6
Consultant on maximum, no distinction award	35,500	39,340	10.8
Registrar, on maximum	16,330	17,635	8.0
House Officer, on maximum	10,740	11,600	8.0
<u>General practitioners (average net income)</u>			
Doctors	28,800	31,105	8.0
Dentists	24,920	26,915	8.0

Nurses' Review Body reportTypical increases

	Present pay £	Recommended pay from 1 April 1989 £	Increase %
Regional Nursing Officer, maximum	33,100	35,335	6.8
Director of Nursing Services, maximum highest grade	23,700	25,300	6.8
Grade G (middle Sister grade maximum)	13,925	14,860	6.7
Grade D (basic Staff nurse grade)	9,200	9,815	6.7
Grade A (unqualified nurse) maximum	6,300	6,725	6.7
Student nurse, first year	4,825	5,150	6.7

TSRB Report
Typical increase

	Present pay £	Recommended pay from 1 April 1989 £	Increase %
Head of the Civil Service	85,250	89,500	5.0
Permanent Secretary]			
Admiral]			
General]	68,500	72,000	5.1
Air Chief Marshal]			
Under Secretary on normally attainable maximum,			
- without London Allowance	39,000	40,900	4.9
- with London Allowance	39,000	42,900	10.0
2 star officer	39,000	43,100	10.5
Lord Chief Justice	85,250	89,500	5.0
High Court Judges	68,500	72,000	5.1
Circuit Judges	45,800	48,100	5.0

Savings from various stagings

	£m		
	Cost of implementing in full from 1 April	(1) Implementing in full from 1 August	(1) Cost of Paying 4% from 1 April and balance from 1 October
AFPRB	272	171	201
DDRB	312	221	239
Nurses	420	283	335
PAM	43	29	33
TSRB	6	4	5

(1)

These options assume full reimbursement of practice expenses for family practitioners from 1 April.

THE LORD CHANCELLOR'S SALARY ORDERLord Chancellor's salary

1. The Lord Chancellor's salary is set by an Order in Council under the Ministerial and Other Salaries Act 1975. This is subject to affirmative resolution in both Houses. In 1983, the Top Salaries Review Body Report on Ministerial and Parliamentary Salaries (No 20) recommended that the Lord Chancellor should enjoy a salary lead over the Lord Chief Justice, to recognise his pre-eminent position in the judiciary as well as his roles as Minister and Speaker of the House of Lords. Ministers accepted this and it was decided that the differential should be maintained at £2,000.

Disadvantages

2. The Order has been taken as an opportunity to debate the Government's decisions on Review Body proposals when they have been politically contentious. It has seemed inappropriate for the Lord Chancellor as the head of the judiciary to become the focus of political comment.
3. The Order cannot be backdated. This means that there is often a delay between an increase in the Lord Chief Justice's salary and an increase in the Lord Chancellor's own salary, as the latter does not take effect until the date on which The Queen makes the Order at the earliest. (The likelihood of delay occurring will be lessened by the new TSRB timetable which will permit increases to be announced well in advance of 1st April when they are likely to come into payment, but the potential will still remain).
4. The delay has implications for the Lord Chancellor's pension which is determined by reference to the salary in payment on the day he leaves office. Should he die or retire before the Order takes effect, the value of his pension will be reduced. There are also implications for the pensions of former Lord Chancellors, which are currently subject to the rule restricting the value of their pensions to that for which the Lord Chancellor of the day would be eligible were he to leave office. However, changes proposed under the forthcoming Parliamentary Pensions and Severance Pay Bill will remove this restriction.

Options for change

5. Primary legislation will be required to amend the Order making power in Section 1 (4) of the Ministerial and Other Salaries Act 1975 preferably so that the salary may be determined administratively and by reference to that of the Lord Chief Justice. It is for consideration whether specific mention should be made of the £2,000 differential. It might be preferable simply to take power to set and vary the lead by affirmative order, in case the Government wishes to change this in the future.

Draft Written Answer

The 1989 reports of the Review Bodies on the pay of Nursing Staff, Midwives and Health Visitors, and Professions Allied to Medicine, the Doctors and Dentists, and the Armed Forces, and of the Top Salaries Review Body, have been published today. Copies are now available in the Vote Office. The Government are grateful to members of the review bodies for these reports and the time and care which they have put into their preparation.

The following table shows the increases in pay rates recommended by the review bodies, and their cost:

Review Body reports	Pay bill increase,	Range of increase,	UK Public Expenditure Cost
	per cent.	per cent.	(1) £ Million
Armed Forces	6.8	5-8	272
Doctors and dentists	8.8	8-14.1	312
Professions allied to medicine	7.7	7.6-7.8	43
Nurses, midwives and health visitors	6.8	(2) 6.7-6.9	420
Top salaries	6.5	(3) 4.9-10.6	6

(1) The figures for public expenditure cost differ from those in the review bodies' reports. Their figures do not include some costs which count as public expenditure. The figure for doctors and dentists includes payments for GPs' expenses, not counted as pay. The figure for nurses includes £5m for the flexible pay experiment and an estimated £3 million for a new grading structure for educational grades, which the Review Body has not yet costed.

(2) Three Chief Area Nurses grade 4 in Scotland will get increases of 10-13.6%.

(3) This figure does not allow for the recommendation to increase from 25% to 35% the quota of civil servants in Grades 2 and 3 eligible for discretionary increments. It also excludes restructuring for 13 Immigration Adjudicators who receive increases of 27.1%, and for the Chief Immigration Adjudicator and the Vice-Presidents of the Immigration Appeal Tribunal, who get 28.3%.

The Government have decided to accept in full the Review bodies' recommendations on armed forces, on professions allied to medicine, and on nurses, midwives and health visitors. The Government have also decided to accept the recommendations of the review body on doctors and dentists, except for those for increases, in addition to the general increase, at the top of the consultants' scale and in the number and size of consultants' distinction awards. The review body recommended those increases to improve the long term career structure for hospital doctors and in the Government's view this improvement will be secured by the proposal in the White Paper, "Working for Patients", to create 100 additional, permanent consultant posts over the next three years (Command 555, paragraph 5.20). [NB. This assumes that all the extra benefits for consultants are rejected. Some amendment would be needed if one of them, such as the increase in the number of distinction awards, were to be accepted].

The Government have decided to accept the recommendations of the Top Salaries Review Body subject to [sentence on two-star officers to be added].

The full cost of the awards by the Armed Forces Pay Review Body and Top Salaries Review Body groups will be met from within existing public expenditure programme totals for this year. In the case of the health services however the Government recognise that the full costs could not be accommodated without adversely affecting services to patients. The Government have therefore decided to provide an extra £[]m for health authority cash limits from the reserve for next year. Of the remaining cost, £[]m is already fully covered within the allocations made for this year, leaving a balance of £[]m to be covered from cost improvements. The Government have similarly decided to provide an additional £62m to the Family Practitioner Services from the reserve for this year. Together with the increases in allocation already announced, the increase in provision for the National Health Service in 1989-90 over 1988-89 will therefore be £[]m.

The pay rates and scales resulting from the decisions will be promulgated as soon as possible for all the groups concerned.



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

8 February 1989

Dear Julie

This is just to confirm that the Meeting of Ministers to consider the reports of the Pay Review Bodies and teachers' pay will be held here at 0930 on Tuesday 14 February.

I am copying this letter to Sue Ambler-Edwards (Ministry of Defence), Viola Panton (Department of Employment), Flora Goldhill (Department of Health), Dawn Gibson (Lord President's Office), Antonia Tatham (Office of Arts and Libraries), Sandra Craig (Department of Education and Science), Len Wright (Scottish Office), Jenny Murphy (Northern Ireland Office), Mark Powell (Welsh Office) and to Trevor Woolley (Cabinet Office).

Yours truly

D.C.B. Morris

(D.C.B. MORRIS)

Mrs. Julie Thorpe,
HM Treasury.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 February 1989

1989 REVIEW BODY REPORTS

We spoke about the meeting scheduled for next Tuesday, which your Secretary of State will be attending. I can confirm that it is intended to circulate papers this Friday covering the position both on Review Bodies and Teachers' Pay. Meantime, you may find it helpful to have the enclosed copies of the three Review Body reports covering the Health Service. I should be grateful if you could ensure that these documents are, for the time being, kept within your Private Office, with a list kept of people having access to them.

PAUL GRAY

David Crawley, Esq.,
Scottish Office

SECRET AND PERSONAL



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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*SIR ROBIN BUTLERREVIEW BODY REPORTS

The Prime Minister held a meeting this morning with the Chancellor, Chief Secretary, yourself and Richard Wilson to discuss the draft Cabinet Office paper on this year's Review Body reports. Following a brief discussion it was agreed that the paper should reflect the following proposals:-

- The DDRB recommendation of an extra £1,000 on the top of the consultants' scale and the other extra increases recommended for consultants, should not be agreed (option C in paragraph 14 of the draft). But there should be no other abatements or staging of the Review Body's recommendations.
- The funding arrangements for the HCHS costs should involve the Health Authorities being asked to fund £40m. in England of the Review Body costs. The equivalent UK figure was likely to be some £50m (paragraph 16(iii)).
- The TSRB recommendation to link the salary of two-star officers to the first performance point of Grade 3 civil servants should be rejected. The present link between salary of the two-star officer and the top of the Grade 3 scale should be maintained (paragraph 17(i)).
- The possibility of legislating in next session's Bill on Parliamentary Pensions to remove the requirement for an Affirmative Resolution procedure on the Lord Chancellor's salary should be further studied (paragraph 21).

It would be helpful if the Cabinet Office paper could now be redrafted to reflect these points. It was further agreed at this morning's meeting that the paper should be tabled at a meeting of Ministers on Tuesday 14 February, which would also consider the report of the Interim Advisory Committee on Teachers' Pay. The plan would then be for the reports of the Review Bodies and of the IAC on teachers' pay to be published, and decisions on them announced, by Written Answer to an arranged Parliamentary Question on Thursday 16 February, following discussion at Cabinet that morning.

I am copying this minute to Alex Allan (HM Treasury).

Rec'd.
Paul Gray

1 February 1989

Review Body Reports

The five Review Bodies have now reported. Their recommendations are as follows:

Review Body	Average increase %	Range of increase %	UK public expenditure Cost (1) £m
Armed Forces (AFPRB)	6.8	5-8	272
Doctors & dentists (DDRB)	8.8	8-14	312 (2) -
Clinical academics (consequence of DDRB)	10.8	8-13.6	8.5
Professions allied to medicine (PAM)	7.7	7.6-7.8 (3)	43
Nurses & midwives (NRB)	6.8	6.7-6.9 (3)	420 (4)
Top salaries (TSRB)	6.5	5-10	6

Examples of the increases within each main group are given in the Annexes.

(1) The figures for public expenditure cost differ from those in the review bodies' reports. Their figures do not include some costs which count as public expenditure.

(2) Includes £39m for practice expenses of family practitioners.

(3) These mainly represent across the board increases of 7.7% and 6.75%.

(4) Includes £5m recommended for flexible pay experiment, and £3m for new grading structure for educational grades - see paragraph 3.

TSRB Report

2. The TSRB recommendations break down as follows:

NRB These are total costs, not to enter public expenditure period - see para. 9 for that. FRCB.

- i. a basic 5% increase for all groups;
- ii. for the judiciary, some minor restructuring which would bring the pay bill increase to 5.3%;
- iii for senior officers in the armed forces, 2-star officers would be linked to the Grade 3 first performance point rather than the top of the Grade 3 scale, as at present. The pay bill increase for 2 star officers would be 10.4% and the average increase for senior officers as a whole would be 8.5%.
- iv. for the civil service, structural changes to relate pay more closely to performance would be deferred but the quota of staff eligible for discretionary increments would rise from 25% to 35%. It is unlikely that the whole of the proposed increase in the quota would be taken up in the first year, but if it were, the additional cost in 1989-90 would be about £75,000, and about £150,000 in a full year, which is about 1/2% of the pay bill for Grades 2 and 3. Otherwise, the only exception to the 5% basic increase would be the restoration of a London allowance for Grade 3s, at £2,000, a possibility to which the Government drew the TSRB's attention. The increase for Grade 3s would be 9.5% and the average increase for the whole group would be 8.2%.
- in Grades 2+3. Acc 6.*
- in London*

Nurses report

3. The Government put to the Nurses Review Body a proposal for a limited experiment in local pay flexibility. The Review Body have endorsed this proposal and have recommended that a sum not exceeding £5 million should be made available to finance it. Also the Review Body will be asked within the next few months to price a new grading structure for nurse educational grades which is properly part of this year's settlement. The Health Departments' estimate of the additional cost of assimilating staff to this structure is £3 million. Decisions are required on the funding of these two items.

DDRB report

4. The DDRB have recommended a basic 8% increase for all doctors and dentists in the NHS, with the following additions:

- i. an increase of £1,000 in the top of the consultants' scale. A consultant at the top of the scale would as a result get an increase of 10.8%, without allowing for merit awards. This recommendation would add £17m to the overall DDRB pay bill made up partly of direct salary costs (£14 1/2m) and partly of resulting increases in the level of all distinction awards, which are related to the consultant maximum.
- ii. an increase in the A+ distinction award from 95% to 100% of the consultant scale maximum. Consultants enjoying this award as well as the increase at the top of the scale would get 13.6%;
- iii. a small increase in the number of the higher distinction and meritorious service awards. This and the previous recommendation (at 4ii) would together add £2m to the pay bill;
- iv. An additional point at the top of the Senior House Officer Scale, recommended by both sides, and costing £0.8m.
- v. A reduction in the number of working hours at which junior hospital doctors qualify for increased on-call allowances. Since this is designed to encourage authorities to reduce the hours worked, it is recommended that it be treated as a nil cost item.

Pay and price movements elsewhere

5. The Review Bodies' recommendations compare with:

- i. a year-on-year increase in underlying average earnings for the whole economy of 8.75% in December;
- ii. an average level of settlements for the whole economy since the start of the pay round (covering 30% of employees) of 6.25%. In the private sector the figure is 6.5%;

iii a year-on-year increase in the RPI of 6.8% in December.

6. In the case of the TSRB report Ministers may also wish to take account of the likely developments in pay this year for the rest of the Civil Service. Around 30 per cent of the non-industrial Civil Service is already covered by flexible pay deals (IPCS, IRSF grades 5-7) and negotiations are coming to an end with the NUCPS and CPSA on similar arrangements for most of the remainder. There is likely to be some variation in the level of settlements between different groups, with almost all being staged in some way as a result of the introduction of the new pay agreements. A common feature for most staff will be an increase on 1 April of around 4%. But all will be followed by further significant payments later in the year. London payments are also generally being increased.

Financing

7. There should be no difficulty in financing the TSRB increases within existing provision.

8. The Ministry of Defence have confirmed that the APPRB award can be afforded within the provision made in the Estimates for 1989-90.

9. The biggest requirement for financing arises on the NHS groups. The total cost of the recommendation in excess of existing provision is about £ 265m. This can be broken down in two ways:

i. £203m on the cash-limited Hospital and Community Health Services and £62m on the Family Practitioner Services which are not cash limited;

ii. £212m in England, £29m in Scotland, £15m in Wales and £9m in Northern Ireland.

10. The pay of clinical academics is kept in line with that of DDR groups, but falls on the Department of Education and Science. The cost in excess of provision would be £4m.

The options

11. One option is of course acceptance of the awards in full. Ministers may however wish to consider options on both the abatement or staging of the awards themselves, and on financing the cost in excess of provision.

Abatement or staging

12. One option is to abate the recommendations. TSRB apart it has been done only once (for DDRB), and the abatement was then restored two years later. It is traditionally regarded as the least acceptable method, not only to the professions but to the Review Bodies themselves, who in recent years have set considerable store by the fact that each year's recommendations have been in full payment by the date of the following report. This year however, there are special considerations in respect of the extra payment to consultants recommended by DDRB, which do not apply to the other reports. And these arguments do not, for any of the awards, rule out staging, the usual method of reducing the cost of Review Body awards in the first year.

13. Annex E shows the savings from two options for staging all the awards:

- i. deferment until 1 August of all payments except the reimbursement of practice expenses for family practitioners which are a contractual commitment; and
- ii. payment from 1 April of 4% plus expenses as above, and the balance from 1 October.

The first option would bring the cost in 1989-90 of the NHS awards approximately within the overall 5 per cent existing provision (and fully within for the Hospital and Community Health Services). The second option would also bring the 1989-90 cost closer to provision for the NHS and would mean the TSRB grades received a 4% payment in April 1989 similar to that likely to be received by the bulk of the civil service if current negotiations turn out as expected.

14. Ministers may wish to give special attention this year to the possibility of scaling down the DDRB awards. In addition to the general options in Annex E for deferment or staging, which could be applied selectively if desired, a range of options for abatement of the DDRB recommendations is set out below. All assume full payment of family practitioners' expenses.

A. Awarding doctors and dentists no more than nurses. The objective of this option would be to cut the increase in the DDRB pay bill from 8.8% to 6.75%, the level of the across-the-board rise recommended for nurses. This would save £70m. The option divides into two according to how this cut would be achieved:

- i. Option A1. The cut would fall equally on everybody. All recommended increases would be cut by 2.05%.
- ii. Option A2. The extra payments for consultants' (para 4, i-iii) would first be rejected. This would save £19m of the pay bill, or £17m if only the £1,000 increase at the top of the scale - para 4i - were rejected. The reduction of 1.5% in the pay bill still needed would then be achieved by a cut of this amount falling equally on all DDRB groups.

B. Containing the additional £1,000 at the top of the consultants' scale within an overall 8% settlement. In costing this option, we have assumed that the increases for all DDRB groups would be cut equally by 0.8% to bring the rise in the DDRB paybill down from 8.8% to 8%. This would save £25m.

C. Not agreeing the proposed £1,000 on the top of the consultants' scale. We have assumed that both the £1,000 increase and the other extra increases for consultants would be rejected, but that no other change would be made. This would save £19m. If only the £1,000 increase were rejected, and not the other benefits for consultants, the saving would be £17m.

The options as defined produce the following results:

	Cost £m	Average increase for DDRB groups %	Range of increases for Consultants %
DDRB recommendations	312	8.8	8-13.6
Option A1	242	6.75	5.95-11.5
Option A2	242	6.75	6.7
Option B	287	8.0	7.2-12.8
Option C	293	8.3	8

Options A1 and B would retain the relatively much more favourable treatment for consultants than for other DDRB groups. Retaining this favourable treatment would also involve bigger cuts for other DDRB groups than would have been necessary without it in order to achieve any target level of reduction for DDRB as a whole. Ministers may therefore want to concentrate on Option A2 and C. The choice between them will depend on the target level of savings; and on the weight to be attached to the fact that with A2, unlike C, groups other than consultants suffer an abatement.

15. It will be important to consider the rationale for the abatement option. Only Options A1 and A2 could be defended on affordability grounds, and even they would save only £70m out of a total cost for all NHS groups of £775m. The other options would have to be defended on the grounds of disagreement with the DDRB recommendations. The rationale for rejection of the extra increase in the number of consultants would be that the White Paper on the NHS proposes an increase in the number of consultants, and that in the view of the Government this would provide a better incentive to doctors to opt for a hospital career than the Review Body recommendations.

Financial options

16. The awards for NHS groups would, unless there is abatement or staging on a sufficient scale, involve a cost in excess of current provision. This cost would be £265m, of which £203m is on Hospitals and Community Health Services (HCHS). The Family Practitioner Service cost falls on the Reserve. The DDRB options discussed in paragraph 14

would reduce the excess cost to the HCCHS by between £17m and £70m. The HCCHS cost could be met either from within Health Authorities existing allocation or from the Reserve. We have examined the following options:

- i. The HCCHS cost could be met fully from within Health Authorities existing allocations, but that would reduce the announced provision for patient care and harm the climate for the health review changes.
- ii. The HCCHS cost could be met fully from the Reserve. This would be helpful in securing cooperation on the health review changes, but arguably it would give the wrong signal to the Review Bodies, removing the pressure on them to moderate their recommendations in later years.
- iii. The health authorities could be asked to meet part of the cost from cash savings in their cost improvement programmes, with the balance being found from the Reserve. In England cash savings of £150m are planned. In past years up to half of the cost improvement programmes have been used for Whitley or Review Body pay. In the 1988 survey £65m of the savings in 1989/90 was set aside for Whitley Groups' pay; of that, the A & C restructuring will account for £31m. The Treasury argue that if otherwise the Whitley Groups get little over 5% there will be some money spare; and that account should be taken of the fact that 1988 Whitley pay cost £40m less than the half of the cost improvement programme. They suggest that health authorities could be asked to use two-thirds of the cost improvement programme (£100m in England) for pay, allowing between £40m and £70m of the review body costs to be met from that source. The equivalent UK figures would be £50m to £85m, leaving £180m to £215m to be met from the Reserve (including the FPS costs); or less if there is abatement or staging. The Health Departments do not expect there to be spare money from Whitley settlements and do not accept that lower 1988 settlements could be prayed in aid. They also argue that diverting two-thirds of the cost improvement programme to pay would have most of the adverse consequences of option (i).

Link between 2-star officers and Grade 3 civil servants

17. One recommendation by the TSRB raises particular difficulty. This is the recommendation that would link the salary of 2-star officers to the first performance point of Grade 3 civil servants rather than to the top of the Grade 3 scale, as a present. There are objections in principle to relating a standard scale to a performance point, particularly as many senior officers work alongside civil servants in similar jobs. On the other hand, abating the recommended salary to bring it down to the top of the Standard Grade 3 scale would reduce the existing differential between 2-star and 1-star officers (brigadiers). Options include:

- i. rejecting the recommendation, and keeping the present link between the salary of the 2 star-officer and the top of the Grade 3 scale;
- ii. accepting the recommendation in full;
- iii. accepting the figure recommended by the TSRB for the 2 star officer, while making it clear that the Government does not agree that linkage with performance related salaries in the Civil Service is appropriate. It is not clear however what alternative rationale could be supplied for the figure and in the Treasury's view if some link between 2-star officers and Grade 3 civil servants were not retained, the pay of the former might draw further ahead in future and cease to be a restraint on the AFPRB's recommendations for the ranks below. The Ministry of Defence however point out that in evidence to the TSRB the Government invited them to reach a balanced judgement between maintaining the link and providing an adequate differential; the Ministry's view is that priority should be given to the differential.

Teachers' pay

18. The Interim Advisory Committee on teachers' pay are due to report in February on the increase to take effect on 1 April. The Secretary of State for Education and Science has instructed them to keep the cost of their recommendations within £385m in 1989-90, equivalent to an increase on the pay bill of about 5%. In last year's report they included some recommendations going beyond the remit they had been

given. It is possible that they may do so again.

Pensions

19. In accordance with current practice, pensions should follow salary rates in payment and not any notional salaries. If the Government decides to defer or stage any review body awards, members of the review body group in question who retired during the period affected would suffer a permanent loss of pension. In the case of the Armed Forces Pension Scheme, deferment or staging may in some cases increase the likelihood that the pensions of persons who retire in the period affected will be overtaken by those of persons who retired in the previous year.

Timetable and next steps

20. Ministers have decided that the Review Body reports and the IAC recommendations on teachers' pay will be considered and announced together. The IAC aim to report by or before the weekend of 10-12 February. This points to a final decision in Cabinet on 16 February and, if Cabinet agree, an announcement of the Government's decision later that day. Government decisions on Review Bodies' awards have generally been announced by way of written reply. We recommend that the same arrangement be adopted this time.

21. There is no Parliamentary process, except that an order is necessary to maintain the differential between the Lord Chancellor's salary and the Lord Chief Justice's, in accordance with declared Government policy. This requires an Affirmative Resolution in both Houses and has in the past created the opportunity for debate on the whole TSRB report. Last year it was suggested in Cabinet that it would be desirable if possible to remove this requirement. A change would require legislation. Next Session's Bill on Parliamentary pensions might provide a suitable opportunity. This possibility could be further studied if Ministers wished.

Conclusion

22. Ministers are invited to decide:

- i. Whether there should be any abatement or staging of the awards across the board or individually, possibly by means of the options described in paragraph 13 and Annex E.
- ii. Whether there should be any abatement of the DDRB award and whether it should take the form of one of the options in paragraph 14.
- iii. How the cost of awards for NHS groups in excess of provision should be met, possibly by one of the options described in paragraph 16.
- iv. Whether the TSRB's recommendations on linking 2-star officers to the first performance point of Grade 3 civil servants should be accepted.
- v. Whether to publish all the Review Bodies reports, and the report of the IAC on teachers' pay, and announce decisions by way of Written Answer to an arranged Parliamentary Question on 16 February.
- vi. Whether the possibility should be further studied of legislating in next Session's Bill on Parliamentary pensions to remove the requirement for an Affirmative Resolution procedure on the Lord Chancellor's salary.

AFPRB Report
Typical increases

	Present pay £	Recommended pay, from 1 April 1989 £	Increase %
Brigadier	36,555	38,748	6.0
Lieut Colonel on maximum	29,247	30,999	6.0
Captain on maximum	17,418	18,812	8.0
Staff Sergeant, Band 4	11,830	12,585	6.4
Corporal I, Band 2	11,195	11,990	7.1
Private IV, Band 1	5,705	6,063	6.3

The same rates apply to equivalent ranks in the other Services.

The figures for Staff Sergeants, Corporals and Privates all for men committed to 6 years' but less than 9 years' service.

DDRB Report
Typical increases

	Present pay £	Recommended pay from 1 April 1989 £	Increase %
<u>Hospital staff</u>			
Consultant, A + distinction award	69,225	78,680	13.6
Consultant on maximum, no distinction award	35,500	39,340	10.8
Registrar, on maximum	16,330	17,635	8.0
House Officer, on maximum	10,740	11,600	8.0
<u>General practitioners (average net income)</u>			
Doctors	28,800	31,105	8.0
Dentists	24,920	26,915	8.0

Nurses' Review Body report
Typical increases

	Present pay £	Recommended pay from 1 April 1989 £	Increase %
Regional Nursing Officer, maximum	33,100	35,335	6.8
Director of Nursing Services, maximum highest grade	23,700	25,300	6.8
Grade G (middle Sister grade maximum)	13,925	14,860	6.7
Grade D (basic Staff nurse grade)	9,200	9,815	6.7
Grade A (unqualified nurse) maximum	6,300	6,725	6.7
Student nurse, first year	4,825	5,150	6.7

TSRB Report
Typical increase

	Present pay £	Recommended pay from 1 April 1989 £	Increase %
Head of the Civil Service	85,250	89,500	5.0
Permanent Secretary]			
Admiral]			
General]	68,500	72,000	5.1
Air Chief Marshal]			
Under Secretary on normally attainable maximum,			
- without London Weighting	39,000	40,900	4.9
- with London weighting	39,000	42,900	10.0
2 star officer	39,000	43,100	10.5
Lord Chief Justice	85,250	89,500	5.0
High Court Judges	68,500	72,000	5.1
Circuit Judges	45,800	48,100	5.0

Savings from various stagings

	£m		
	Cost of implementing in full from 1 April	(1) Implementing in full from 1 August	Cost of (1) Paying 4% from 1 April and balance from 1 October
AFPRB	272	171	201
DDRB	312	221	239
Nurses	420	283	335
PAM	43	29	33
TSRB	6	4	5

(1)

These options assume full reimbursement of practice expenses for family practitioners from 1 April.

CCB/pe.

PRIME MINISTER

REVIEW BODY REPORTS

Following your bilateral with the Chancellor tomorrow you will be joined by the Chief Secretary, Robin Butler and Richard Wilson to discuss the handling of this year's Review Body Reports.

You saw over the weekend the draft Cabinet Office paper (flag A) and my covering minute below setting out the key issues.

Two further points on the handling:

- It will not be possible for the Lord Chancellor to come to the meeting of the larger group of colleagues on 14 February - he is abroad for several days. We are arranging for the Lord Chancellor to feed in written comments on any points that concern him in advance of that meeting.

- You may remember that last year Malcolm Rifkind protested at Cabinet that the territorial Ministers had not been involved in early discussions of the Review Body Reports. To avoid repetition of that, we are inviting all three territorial Ministers to the 14 February meeting.

Recg.

PAUL GRAY
31 January 1989

mt

EL3DHK

PRIME MINISTER

REVIEW BODY REPORTS

You are having a meeting next Wednesday with the Chancellor, Chief Secretary and Robin Butler to go through the first draft of the paper on this year's Review Body Reports. We are scheduling a meeting with a wider group of colleagues for Tuesday 14 February, prior to a planned announcement - also incorporating teachers pay - on Thursday 16 February.

I enclose at Flag A the draft of the Cabinet Office paper. It should be regarded as work in progress, with the figures all still to be checked. But I think it provides a basis for a reasonable discussion at next week's small meeting.

The key issues to address are:

- what option to adopt for consultants. You have already put Ken Clarke on notice to what you have in mind. You will want to consider with Treasury Ministers whether to confirm that position;

- whether any of the other awards should be abated or staged. A tricky issue is how to handle the recommendation on two-star officers;

- how much extra provision from the Reserve to provide to fund the NHS awards (all the other awards can be funded from existing public expenditure provision).

You have already had a quick glance at some of the Review Body Reports themselves. But I am enclosing them in the package again in case you want a further look over the weekend. They are:

Flag B Armed Forces
Flag C Doctors and Dentists
Flag D Nurses

*I gather
No Chancellor
will
argue for
some shifting
savings
Rcb
31/1*

Flag B Professions Allied to Medicine
Flag F TSRB

REC.

(PAUL GRAY)

27 January 1989

SECRET

From: R T J Wilson
27 January 1989

P 03351

MR GRAY

cc Sir Robin Butler
Mr Monger

REVIEW BODY REPORTS 1989

1. As promised I attach a draft of the paper for Ministers on this year's Review Body Reports, which the Prime Minister may wish to see before her discussion with the Chancellor on Wednesday. I am passing a copy to the Chancellor's office separately.
2. The paper has been agreed with Departments. It is however still very much a draft. In particular, the figures all need to be checked. There are also two rather tangled passages reflecting Departmental differences which I think we should try to simplify: the passages on funding the excess cost of the award to NHS groups in paragraph 16(iii), and on two-star officers in paragraph 17.

R T J WILSON



MJ2DDX

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

LORD PLOWDEN

The Prime Minister has seen your minute to me of 25 January. She would be happy to hold a lunch to mark Lord Plowden's work as Chairman of the TSRB and also his long involvement with the public service. I will now set about looking for a date (it may be difficult to arrange this very close to the appearance of his final TSRB report but I do not think that is essential). Could you now provide suggestions for the guest list.

Andrew Turnbull

27 January 1989

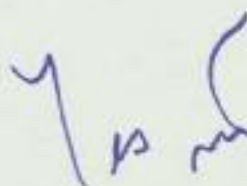
Ref. A089/216

MR TURNBULL

Lord Plowden

Prime Minister
Would you like to do
this? He has been a very
special contribution.

HT
25/1



With the submission of the Top Salaries Review Body (TSRB) Report to the Prime Minister in the course of the next week or so, Lord Plowden's work as Chairman of the TSRB effectively comes to a close. It will also mark the end of fifty years of public service - commencing when Lord Plowden joined the Ministry of Economic Warfare in 1939, and including a wide variety of roles as civil servant, Chairman of the Atomic Energy Authority, and Chairman of a range of public bodies and committees of inquiry.

2. I think that it would be appropriate for the Prime Minister to distinguish Lord Plowden's retirement with a lunch at Number 10. This might be at any convenient time in the couple of months after the announcement of the Government's response to the TSRB recommendations. If she were agreeable to this proposal, I should be happy to suggest a guest list.

R.B.

ROBIN BUTLER

25 January 1989



R25/1
OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944 *ft*

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

25 January 1989

Dear Prime Minister

REVIEW BODY ON TOP SALARIES

I enclose the Review Body's Twelfth Report, which contains our recommendations on the levels of salaries we consider appropriate at 1 April 1989 for members of the groups within our remit.

*Yours sincerely
Plowden.*

LORD PLOWDEN
CHAIRMAN
REVIEW BODY ON TOP SALARIES

SECRET

file ✓

PRIME MINISTER

PAY REVIEW BODIES

You had a quick glance last weekend at the Doctors' and Dentists' Report. This week we have had in the Reports on Armed Forces, Nurses and Professions Allied to Medicine. These are certainly not required reading, but I am attaching them in case you wanted to glance at them over the weekend.

Paul Gray
20 January 1989

SECRET



SKWB, X
file

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBIN BUTLER

1989 PAY REVIEW BODIES : REPORT

Thank you for your minute of 13 January.

As you know, the Prime Minister had a further discussion with the Chancellor of the Exchequer and Secretary of State for Health about the handling of the Doctors and Dentists Review Body report earlier this week, at which Mr. Wilson was present. It was confirmed that planning should now be based on an announcement on 16 February, which should embrace all the Review Body Reports and the Chilver Report on Teachers Pay.

I have discussed with the Prime Minister the handling of the discussions prior to the announcement, and she wishes to hold a combined meeting covering the Review Bodies and Teachers Pay, to which the Secretary of State for Education and Science is invited. We are putting in hand arrangements to convene that meeting, probably on Tuesday 14 February.

That meeting will be preceded by a discussion between the Prime Minister, Chancellor and Chief Secretary, which we will seek to arrange in the week beginning 30 January. It would be helpful if a draft of the detailed Cabinet Office paper could be available by next Friday, 27 January.

RCG.

(PAUL GRAY)
20 January 1989

LA (1 Page)
RA

PRIME MINISTER

HANDLING OF PAY REVIEW BODY REPORTS AND TEACHERS' PAY

You have now firmly agreed with the Chancellor and Mr. Clarke that the target for publication of the Pay Review Body Reports should be Thursday 16 February; and that the handling of the Chilver Report on Teachers' Pay should be tied into the same timetable.

You will probably want to discuss the position with the Chancellor (and the Chief Secretary) again once the detailed Cabinet Office analysis of the Review Body Report is available. But I imagine you will not want to have a formal discussion of the Report with other colleagues until the week beginning 13 February.

One organisational point is whether you would prefer to have separate meetings on the Review Bodies and on teachers' pay; or have a single meeting, to which Mr. Baker would be invited, covering all the issues.

Content for a single meeting? Yes

Or

Do you want us to set up separate meetings of E(EP) for teachers' pay and an ad hoc meeting (excluding Mr. Baker) for the Review Bodies? No.

PLG

ml

PAUL GRAY

18 January 1989

PM2AKA

Prime Minister

Ref. AO89/118

(i) Content still to plan for a combined statement on 16 February?

MR GRAY

(ii) Do you want to take teachers pay in ~~the~~ E(LP) or in the meeting on review bodies?

1989 Pay Review Bodies: Report

PRCC
13/1

Thank you for your minute 11 January, about the brief discussion which the Prime Minister had had with the Chancellor of the Exchequer on this subject.

2. I have this afternoon had a meeting with the Permanent Secretaries of the Departments concerned and have arranged for the necessary work to be set in hand. The aim is to prepare a first draft of the paper for Ministers by Tuesday 24 January, so that the Prime Minister and the Chancellor may if they wish review the position at their weekly meeting the next day. This work will include the options for dealing with the recommendations on doctors and dentists, as the Prime Minister asked.

This is NOT what was asked and could be made clearer if needed

by including proposals for new consultants within the recommended total

3. As to handling, there is unanimous agreement (including Department of Health and Department of Education and Science) with the Prime Minister's and the Chancellor's preference that it would be best to delay publication of the Review Body Reports until the Government is in a position also to announce its conclusions on the report of the Interim Advisory Committee on teachers' pay. This points to taking them all in Cabinet on Thursday 16 February, with the announcements following later that day, rather than on 2 February. Lord Chilver's present aim of reporting by the weekend of 10-12 February should make that possible but the Department of Education and Science will be seeking to persuade Lord Chilver to report as early as possible in February to make the timetable easier.

4. There will need to be the usual meeting of the large Ministerial group a day or two before 16 February. At present we are planning on the basis that the Prime Minister will wish to deal with teachers' pay separately, if necessary in a meeting of E(EP) on or around 14 February. If the Prime Minister were so minded, an alternative would be to bring Mr Baker into the large Ministerial meeting and deal with teachers' pay there with the rest. Please will you let me know if the Prime Minister wants me to continue to plan to handle teacher's pay separately through E(EP).

P.R.B.

ROBIN BUTLER

13 January 1989

ECON POL: TSRB

P. 10



100/100



GOVERNMENT OF INDIA

100/100

SECRET

file

PRIME MINISTER

HANDLING OF PAY REVIEW BODY REPORTS AND TEACHERS' PAY

You have now firmly agreed with the Chancellor and Mr. Clarke that the target for publication of the Pay Review Body Reports should be Thursday 16 February; and that the handling of the Chilver Report on Teachers' Pay should be tied into the same timetable.

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Content for a single meeting?

Or

Do you want us to set up separate meetings of E(EP) for teachers' pay and an ad hoc meeting (excluding Mr. Baker) for the Review Bodies?

PCG.

PAUL GRAY

18 January 1989

PM2AKA

SECRET

MR. INGHAM

HANDLING OF 1989 PAY REVIEW BODY REPORTS

You may recall it was decided last year that the timetable for the Pay Review Bodies should be advanced this year. The timetable was set out by the Chief Secretary in last year's public expenditure white paper debate (Hansard extract attached).

For your own information we have now received four of the Review Body Reports; but the last, from the Top Salaries Review Body, is not expected for another ten days or so.

Ministers have not yet taken a final decision on when to publish and announce the Government's reactions. But, again, for your own information, it may be held up until 16 February - partly in order to distance it from the NHS White Paper and also to try to deal on the same timetable with teachers pay.

I imagine it will not be too long before you start getting enquiries about whether we have received the reports. As and when you do, I see advantage in remaining coy as long as we can. For the time being, therefore, could we respond on the lines:

(i) neither confirming nor denying that particular reports have arrived;

(ii) saying we anticipate that announcements will be made within the time frame indicated by the Chief Secretary last year.

Recg.

(PAUL GRAY)

16 January 1989

yet in counties such as mine five hospitals are about to close largely because of the non-funding of the nurses' wage award. Given the change in circumstances since the White Paper was originally drawn up, and as it appears that more money is available now than the Government believed was available then, will the Chief Secretary confirm that the Government could absorb the entirety of the wage awards without throwing their strategy off course?

Mr. Major: My remarks were not optimistic, so much as realistic. They were a factual assertion, and nothing in what I said is not clearly and demonstrably fact. I shall turn to the hon. Gentleman's second point in a few moments, if he will be patient.

Mr. Ian Gow (Eastbourne): If it were true that the Labour party was the party that cared about the Health Service, and if ours did not care, how is it that we are spending a higher proportion of total public expenditure and a higher proportion of GDP on the NHS than did the Labour party, which claims to care so much about the NHS?

Mr. Major: My hon. Friend has made a telling point, indeed. I would not adequately be able to explain that point if I were a Member of the Opposition. Perhaps part of the explanation—nobody doubts that the Opposition are—lies in competence and in the fact that with the reducing level of national debt we have a far smaller overhead cost in interest on that national debt. That absolutely reinforces the policies that my right hon. Friend the Chancellor of the Exchequer has followed in recent years.

In one of the most crucial areas of the National Health Service the hospital and community health services, which are of great concern at the moment to many hon. Members, and to many beyond the House, current expenditure will have increased in 1987-88 by around 10 per cent.—well over twice the rate of inflation in the economy generally, and, what is more, faster than any measure of rising prices in the health sector specifically. If we allow for that and also for the benefit of the cost-improvement programme,

"margin available for service development" have increased by nearly 3 per cent., comfortably above even the most pessimistic estimate of demographic pressures. Therefore, it rapidly becomes clear that current difficulties faced in the Health Service are not simply questions of funding; and funding alone will not solve those difficulties.

Mr. Barry Jones (Alyn and Deeside) rose—

Mr. Major: If the hon. Gentleman will forgive me, I shall give way in a few moments.

The Government have recognised that there are important issues to be examined. We must consider whether there are other ways of delivering health care to meet people's expectations. In doing so, I offer the assurance that we propose to preserve the principle that a standard of health care must be available for all areas of means. That principle is not at risk in the current review of the management and funding of health care in this country that we have set in hand.

As well as those fundamental issues, the Select Committee was particularly concerned in its report at the difficulties faced by health authorities, which have to plan

their budgets before the review body recommendations are finalised and before consequent decisions on funding are known.

I understand and sympathise with that concern and with the dilemma facing health authorities. The Government have examined the problem to see whether there is a way of resolving it without abdicating responsibility for the control of public expenditure. We are not prepared to commit ourselves in advance to accepting review body recommendations unreservedly or to funding resulting awards in full—nor should or would any responsible Government. Those decisions can be made only when the recommendations have been received and studied.

However, what we can and will do is remove this uncertainty for health authorities in the future. Therefore, we have decided in future years to bring forward the timetable for the review body reports so that decisions can be made on them well before the beginning of the financial year. We hope that review bodies will be able to submit their reports in time for decisions on them by the end of January or, at the latest, by mid-February.

Mr. Barry Jones rose—

Mr. Terence L. Higgins (Worthing): I welcome enthusiastically my right hon. Friend's statement, which will make great improvements in the future. However, for this year, can he give any information of the date by which a decision is likely to be made, so that health authorities need not make premature decisions on the issues that he has mentioned?

Mr. Major: I am grateful to my right hon. Friend for his welcome, especially in his capacity as Chairman of the Treasury and Civil Service Select Committee. I shall turn to the specific point that he mentioned in just a second.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): Will my right hon. Friend accept that this statesmanlike decision will be widely welcomed, because one problem facing all health authorities is that of making their spending decisions before pay awards? Because of the special problems that face them this year, can the Government find their way clear to say that they will fund, for this one year until the new scheme comes in, the pay award that they agree—I repeat that they agree?

Mr. Major: I am grateful to my hon. Friend for his welcome. I shall deal with the position this year in a few moments.

Mr. Barry Jones rose—

Mr. Eric Forth (Mid-Worcestershire): Before my right hon. Friend leaves that point, may I ask whether he is aware that some of us find the implication of what I think he said a little disappointing? It appears that we are to continue indefinitely to face a system of national monolithic pay bargaining and rate setting. Will my right hon. Friend concede that at least as part of the review that is taking place we should look at decentralising decision-making within the Health Service, and at greater flexibility in pay-setting in order to recognise the great variety of regional requirements, and skill and specialist requirements?

Mr. Major: I understand what my hon. Friend has in mind, part of which is being considered by the review body this year.

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SIR ROBIN BUTLER

cc Mr Gray
Mr Monger

REVIEW BODY REPORTS:
MEETING OF PERMANENT SECRETARIES,
13 JANUARY 1989

1. The purpose of the meeting is:

- to tell Permanent Secretaries about the main recommendations in the reports;
- to discuss timing and procedure;
- to set in hand work on the report to Ministers, and in particular discuss the options to be put to them.

Recommendations in the report

2. You will want to draw on your talk with Mr Covington. Attached is a copy of the note he gave you.

Timing and procedure

3. The DDRB report has now arrived. The other reports, except the TSRB's, should arrive by the end of next week. The TSRB report should arrive on 27 January, although it may be delayed until the 30th.

4. The timing of the announcement of the Government's decisions on the Review Body Reports will need to be considered in relation to first, the NHS White Paper which is to be published on 31 January and second, the IAC report on teachers' pay which at present the IAC do not expect to produce until mid-February. There are two broad alternatives:

- i. announce the decision on the Review Bodies after Cabinet on 2 February, leaving the decision on the IAC report to be announced separately in middle or late February;

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- ii. announce the decision on both the Review Bodies and the IAC recommendations at the same time, on 16 February. This will mean pressing Lord Chilver to produce his report at the beginning of February, more quickly than he now plans.

At their talk yesterday the Prime Minister and Chancellor saw considerable attraction in the second alternative, of 16 February: see Mr Gray's minute of 11 January. You may wish to check that there is no major unforeseen objection to this timing. The main problem seems likely to be speeding up the Chilver report. You will wish to ask Sir David Hancock to press Lord Chilver to produce his report by the end of the first week of February at the latest.

5. I understand from Mr Gray that the Prime Minister will want to involve Mr Clarke from an early stage. The DDRB report seems likely to give rise to the main issues this year; and the presentation of the White Paper on 31 January needs to be tied in with the forthcoming decisions on the Review Bodies. It might be sensible for the Prime Minister, the Chancellor of the Exchequer and Mr Clarke to have a first discussion after the meeting of the NHS group next Tuesday morning: Mr Gray is exploring this.

6. Whatever the timetable, I think it would be sensible to press on with the preparation of a paper for Ministers as quickly as possible, so that we are ready to fit in with whatever plan of action turns out to be best. I have agreed with Mr Gray that it would be useful if we could have a first draft ready by Tuesday 24 January, so that the Prime Minister and Chancellor could review the position at their weekly meeting the next day. You may therefore wish to say that we are aiming to complete a first draft of the paper by 24 January and would be glad of the help of other Departments accordingly. I will arrange a meeting early next week to set this work in hand.

7. Before the Review Body reports go to Cabinet, there will need to be an informal meeting of the Ministers mainly concerned, in the normal way. The Prime Minister will wish to decide what the composition of the group should be (last year she ruled out Mr Baker). Those attending last year were:

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Chancellor of the Exchequer
Lord Chancellor
Secretary of State for Defence
Secretary of State for Employment
Secretary of State for Health
Lord President
Minister of State, Privy Council Office.

You may prefer not to mention the composition of the group until the Prime Minister has decided it.

8. Teachers' pay will need to be pursued in parallel with the Review Bodies. Last year the IAC report was dealt with in correspondence but we arranged a meeting of E(EP) as a contingency in case it was needed although in the event it was cancelled. I suggest that we follow this course again, setting up a meeting early in the week of 13 February.

9. I suggest that the reports of the Review Bodies should be passed to the offices of the permanent secretaries concerned as they come in. This will enable us to get on with work on the Ministerial paper; and it will enable Mr Clarke to be ready for any discussion which may be arranged for next Tuesday. Last year it was agreed that the names of all those entitled to see copies of the reports in Departments should be approved by the Cabinet Office. In practice the list was long, and the Cabinet Office had no alternative but to agree the nomination by individual Permanent Secretaries. You might suggest that this year each Permanent Secretary should be responsible for deciding which officials should be allowed access to the reports, and maintaining a list accordingly.

Report to Ministers

10. The main question to decide on the content of the paper for Ministers is what options it should contain, both as to abating or scaling down awards, and as to their funding.

11. Abatement of awards is relatively rare. TSRB apart, it has been done only once (for the DDRB) and the abatement was restored two years later. We understand that the preliminary view of the Prime Minister, and the Treasury, is that this year staging need be considered only

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or the DDRB. You will wish to check that this is correct and that the meeting is generally agreed about it. Sir Peter Middleton's view will be particularly important.

12. It would be helpful to get broad agreement on which DDRB options should be considered. The options for scaling down discussed by the Chancellor and the Prime Minister were:

- i. awarding doctors and dentists no more than nurses;
- ii. agreeing the additional £1,000 to the top of the consultants' scale only if this was contained within an overall 8% settlement;
- iii. not agreeing to the proposed £1,000 on the top of the consultants' scale, on the basis that in the NHS Review White Paper extra resources were being signalled for adding to the numbers of consultants' posts.

The paper will need to consider these options. You may wish to ask whether there are any others which should be included.

13. As to funding:

- i. The question of additional resources should not arise in the case of TSRB, although you might check that the Lord Chancellor's Department could meet the additional cost for judges.
- ii. You might also check that the Ministry of Defence could meet the full costs of the AFRB award. No doubt they have ensured that they could.

14. If the answers to these questions are as expected, the problem of funding arises only for the NHS groups. We understand that there is provision in the NHS budget for 5% increases, and that the additional costs of the awards would be approximately as follows:

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	£m
DDRB	65
Nurses	114
PAMs	15

These figures will need to be checked, and it is not clear whether they are for England only, or for the UK.

15. The Treasury are likely to want Ministers to consider options under which the NHS would bear part at least of the cost of the awards in excess of provision. It is primarily for the Treasury to say which options they want examined. One obvious possibility is perhaps that the Government should provide an extra £100m which, on the basis of the figures above, would mean splitting the extra cost roughly equally between the NHS and the Reserve.

16. Finally, you might ask if there are any particular aspects of the awards which Permanent Secretaries think should be mentioned in the report. As you know, there is a particular problem over the Andrew report and the TSRB's reaction to it, especially as regards the extra discretionary increment. Mr Covington said that he would be talking to the Treasury about the timetable. Subject to what emerges from that, the best course might be to wait and see what the TSRB actually say about the Andrew Report, which I understood Mr Covington to indicate would probably be in a side letter; and then deal with the issue, if need be, in a reply to the side letter.

RJW.

R T J WILSON
Economic Secretariat
12 January 1989

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

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Fine
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Copy also filed on
NHS: Doctors + Dentists
Pay pt 4

SIR ROBIN BUTLER

1989 PAY REVIEW BODY REPORTS

The Prime Minister had a brief discussion with the Chancellor of the Exchequer this afternoon about the main recommendations of the Pay Review Bodies as reported to you by Mr. Covington.

On the substance, both the Prime Minister and the Chancellor expressed serious concern about the recommendations on doctors and dentists. They would like serious consideration to be given to options for scaling down the award. Possibilities they discussed were:

- (i) awarding doctors and dentists no more than nurses;
- (ii) agreeing the additional £1,000 to the top of the consultants scale only if this was contained within an overall 8% settlement;
- (iii) not agreeing to the proposed £1,000 on the top of the consultants scale, on the basis that in the NHS Review White Paper extra resources were being signalled for adding to the numbers of consultants posts.

Although the Prime Minister and Chancellor were initially minded to favour the last of these options, I think it would be sensible if the Cabinet Office could prepare a range of options for Ministers' consideration.

There was no discussion of possible amendments to the size of the settlement proposed by the other pay review bodies.

There was also discussion of the handling of the reports. The Prime Minister and Chancellor noted that one possibility, subject to the TSRB Report being delivered by 27 January at the latest, would be to aim for publication of the five review body reports on Thursday 2 February. But they recognised that this would involve publication - and the announcement of the Government's decisions on the review body reports - before the Government was in a position to respond to the Chilver Report on Teachers' Pay; and indeed possibly before Lord Chilver had delivered his report to the Government. Considerable attraction was therefore seen in the alternative approach of delaying publication of the review body reports until the Government was in a position also to announce its conclusions

on the Chilver Report. It was noted that this was likely to mean delaying publication and announcement until Thursday 16 February. Such an approach was also likely to require pressure to be exerted on Lord Chilver to deliver his report to Government at the latest by the end of the first week of February.

The Prime Minister would be grateful if you could take these thoughts about handling into account in your meeting with Permanent Secretaries later this week.

I am also attaching to this minute a copy of the full DDRB Report, which has just arrived.

I am copying this minute and the DDRB Report to Richard Wilson (Cabinet Office). Perhaps your office could let me know when you would like to circulate copies to other departments.

REC.

(PAUL GRAY)

11 January 1989

CONFIDENTIAL

P 03324

Econ Pol
PA TSRB.
From: R T J Wilson
4 January 1989

SIR ROBIN BUTLER

cc Mr Gray
Mr Monger o.r.

REVIEW BODY REPORTS

1. The Pay Review Body Reports will soon be with us. We need to have a provisional timetable for handling them.

RECEIPT OF REPORT

2. I understand from Mr Gray that Mr Covington expects to be in a position to give you an indication of the main recommendations by the middle of next week (rather earlier than expected) as he did last year. Thereafter Mr Covington hopes that two or three of the reports themselves, probably including the reports on the nurses and doctors, will be delivered to No. 10 in the course of the week beginning 16 January. The remaining reports, including the report of the TSRB, are expected to follow in the week of 23 January, so that all will be with us by 27 January.

3. Inevitably there are uncertainties about this timing. I gather that the Treasury are informing the chairman of the TSRB only this afternoon about the Andrews Report and its recommendations about the pay of the top lawyers in the Government service. Nonetheless we shall need to be ready to deal with reports quickly when they arrive. The Chief Secretary told Parliament on 24 February 1988 that:

"we have decided in future years to bring forward the timetable for the review body reports so that decisions can be made on them well before the beginning of the financial year. We hope that review bodies will be able to submit their reports in time for decisions on them by the end of January or, at the latest, by mid-February".

There are two particular complications which need to be borne in mind.

NHS WHITE PAPER

5. One is the White Paper on the Review of the NHS which is scheduled for publication on 31 January. Ministers are likely to be faced with a decision whether to announce the awards for nurses and doctors a couple of days later, on 2 February; or a week later, on 9 February; or conceivably a fortnight later, on 16 February (although arguably this does not quite meet the commitment to decisions by mid-February). A certain amount will depend on what the Review Bodies actually recommend and whether the Government can agree to implement them in full. But Ministers may well feel that it would be better to get the decisions out as closely as possible to publication of the White Paper, rather than a week or two later when the announcement would risk injecting new life (and perhaps controversy) into the debate about the NHS.

TEACHERS' PAY

6. The second complication is the report of the Interim Advisory Committee (IAC) on teachers' pay under Lord Chilver. For some reason the commitment on this is slightly different from the other Review Body reports: namely, that the IAC will submit their reports to Mr Baker by the end of January or at the latest by mid-February, without any indication that decisions will be taken by those dates. The DES's best information is that the IAC will be reporting by mid-February and not much earlier. There may therefore need to be a decision about whether to go ahead with announcements on the Review Body Reports without waiting for teachers' pay, or whether to hold up the Review Body Reports so that they can be dealt with at the same time as happened last year. The signs are that the DES will favour the latter course although I am not clear how compelling the arguments really are.

SUGGESTED TIMETABLE

7. All this will take a little time to sort out. In the meantime, I think we ought to work on the basis of the speediest timetable practicable, so as to keep open the options for Ministers. With Mr Gray's agreement, I would suggest the following:

Wednesday 11 January : Mr Covington invited to give you an account of the main recommendations with a supporting note, as he did last year. It would be helpful if Mr Gray and I could be present.

Friday 13 January : meeting chaired by you with the other key permanent secretaries to give them a first indication of what is in the reports and to discuss their handling. This was attended last year by Sir Peter Middleton, Sir Michael Quinlan, Sir Derek Oulton, Sir Christopher France, Dame Anne Mueller, Mr Monger and myself (not Sir David Hancock). You may wish to invite the same people again. Thereafter I will arrange for the follow-up work on a paper for Ministers to be put in hand.

Tuesday 17 January : meeting of the Ministerial group on the NHS. This will provide an opportunity to discuss the handling of the Reports in relation to the White Paper.

Wednesday 25 January : meeting between the Prime Minister, the Chancellor and Chief Secretary to discuss a first draft of the paper for Ministers (circulated beforehand to this small group).

Monday 30 January : meeting of the "large" group of Ministers most closely concerned. This timing will enable Ministers to agree how Mr Clarke should handle pay issues when presenting his White Paper.

Thursday 2 February : Cabinet and announcement.

8. We shall try and restrict access to the Reports to named people, although we found last year that the list of names grew and grew as the work was carried out.

NEXT STEPS

9. If you agree, I think it would be sensible for your office to get in touch with Mr Covington and invite him in next Wednesday or, failing that, Thursday. You may also wish to set up the meeting with permanent secretaries so that we are ready to get to work with Departments on the costings as and when each report arrives, and prepare the paper for Ministers.

R.T.J.

R T J WILSON

PRIME MINISTER

1989 PAY REVIEW BODIES

You will recall we agreed last year to speed up the timetable for the Pay Review Bodies' Reports. In last year's Public Expenditure White Paper debate the Chief Secretary announced that the Review Bodies were being asked to submit their Reports so that the results could be made known preferably by the end of January and at any rate by mid-February.

I have been exploring with the Review Bodies' Secretariat the state of play. It seems the tight timetable is being successfully met. The latest assessment is that:

- In the week beginning 16 January we will have 2 or 3 Reports; doctors and dentists will come first, followed either by nurses/professions allied to medicine or the armed forces.
- The remaining Reports will be available during the week beginning 23 January, with the TSRB being the last to be delivered.

I am discussing with the Cabinet Office and others concerned the implications of this for the decision-taking and announcement timetable. We are aiming to set in hand arrangements that would enable an announcement to be made on Thursday, 2 February. The steps leading up to that would be broadly as follows:

- In about a week's time the Review Bodies' Secretariat will let Robin Butler and me have an indication of the overall size of the recommendations.
- Robin will then set in hand work by the relevant Permanent Secretaries for costing the Review Bodies' recommendations once the detailed reports come in.

- You might then discuss the emerging picture with the Chancellor and the Chief Secretary on or around 25 January.

- You will then take a meeting with all the Ministers directly involved sometime between Monday, 30 January and Wednesday, 1 February.

- The outcome would then be endorsed by Cabinet on 2 February and announced the same afternoon.

As this timetable unfolds you may of course decide to delay the planned announcement date until 9 February - which would still meet the Chief Secretary's commitment and mean that the health authorities were notified of the level of funding comfortably in advance of the start of the Financial Year. But it seems sensible at this stage to plan for the possibility of a 2 February announcement - not least because that would mean the Review Bodies' decisions could follow a couple of days after the likely date of publication of the NHS Review White Paper.

Another factor to be taken into account is the feasibility and desirability of trying to achieve (as last year) a simultaneous announcement of the outcome on teachers' pay.

I will let you know next week as soon as we have the overall figures for the likely level of the recommendations. Content meantime for us to be planning on the lines set out above?

Recd.

Yes not

PAUL GRAY

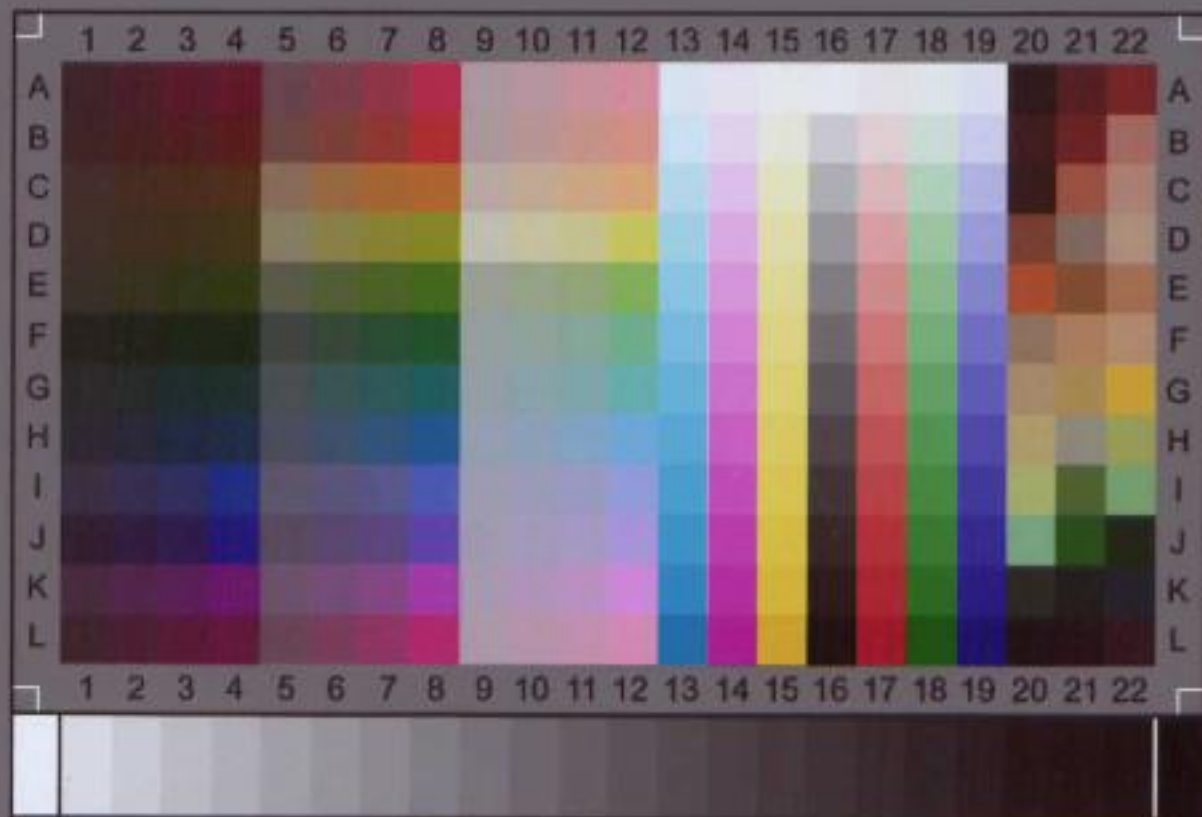
4 JANUARY 1989

PART 9. ends:-

Lord Plowden to PM 26.5.88.

PART 10. begins:-

PG to PM 4.1.89



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