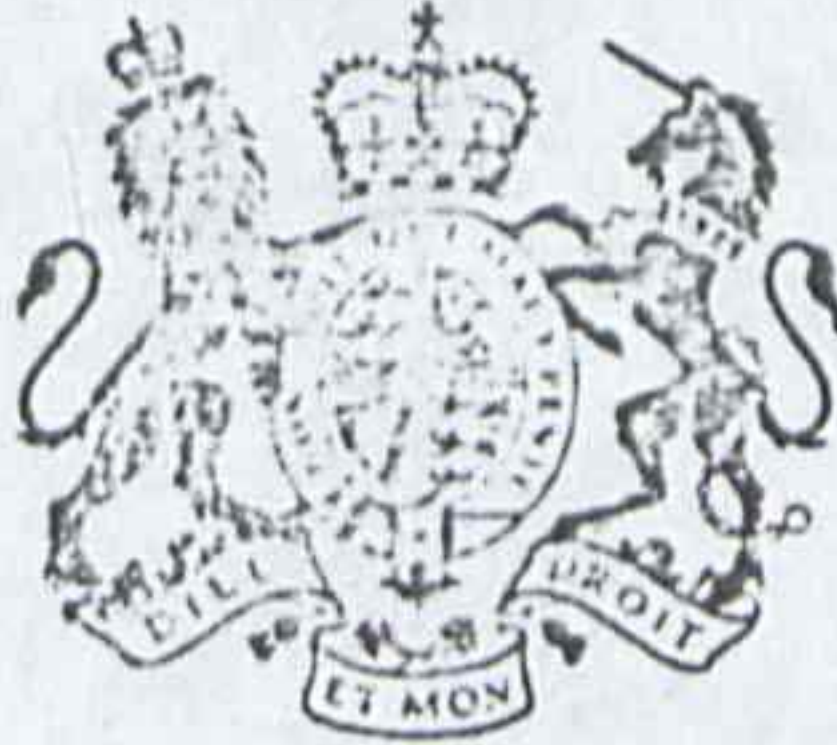


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10 DOWNING STREET

From the Private Secretary

17 July 1981

As you know, the Home Secretary and the Chancellor of the Exchequer called on the Prime Minister this morning to discuss the question of police pay.

The Home Secretary said that he had earlier told colleagues that he had been hoping that it would be possible to reach a settlement for the federated ranks and superintendents somewhat below the 13.2% indicated by the Edmund Davies formula. In the light of recent events, he had concluded that the formula would have to be honoured. Accordingly, he proposed that, at the Police Negotiating Board meeting on 22 July, the Home Office representatives should indicate that the Government had no objection to the 13.2% figure. He intended to discuss with Lord Plowden the arrangements for the 1982 settlement: he wanted to explore ways in which a settlement below the formula might be arrived at in that year. As regards the most senior ranks, a decision on their pay was not needed until September. He believed it would be right to hold their increase down to 7% because, otherwise, their pay would move out of line with that of Chief Executive Officers in local authorities and that of the Commissioner of the Metropolitan Police. He did not think senior ranks would object to being treated in this way.

The Chancellor said that he agreed that the Edmund Davies formula would have to be honoured for this year. But he was glad to hear that the options for moving away from the formula in 1982 were going to be examined. As regards 1981, the Treasury proposed to allow the local authorities a special allowance for the extra cost of the settlement; this would be put to colleagues in the Chief Secretary's paper which would be taken in Cabinet on 23 July.

Summing up this part of the discussion, the Prime Minister said that the Edmund Davies formula for this year should be honoured. The Home Secretary should proceed as he had proposed, including discussing the question of 1982 with Lord Plowden. The presentation of the award would need careful handling: the principal argument should be that the Government was simply honouring the special commitments on police and armed forces pay which had been made at the time of the election. But this aspect should be discussed further at official level between the Home Office, the Treasury and No. 10.

/ Finally,

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Finally, the Home Secretary mentioned that the firemen's settlement could very well cause problems for the Government, just as it had done last year. Partly because of the political complexion of the Fire Brigades Union, the local authorities would no doubt be inclined to settle according to the existing formula; and in contrast to police pay, he had no jurisdiction.

The Prime Minister commented that, if there was going to be a high settlement for the firemen, serious consideration should be given to obtaining a no-strike agreement in return. The Chancellor said that officials were looking at the whole question of no-strike agreements; he would ensure that the option of going for such an agreement in respect of the firemen was considered well in time before the firemen's settlement was due.

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

T. P. LANKESTER

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