

PRIME MINISTERCabinet

This is the first formal Cabinet meeting of your Administration. It would be appropriate, therefore, to take note of and record the conclusions reached at the informal meeting of Cabinet Ministers on Tuesday afternoon, on a small miscellany of issues as follows:

a. Police Pay - Ministers agreed that the Government's decision on police pay was to be announced forthwith and the Home Secretary, in consultation with the Chancellor of the Exchequer, was to arrange this. The question was raised whether the cost of this settlement should be met in the Rate Support Grant or whether it should be met in full. You indicated that it should be met in full for the police but certainly not - at this stage - for the teachers. (The Treasury may well want to come back and argue that the police pay award should be funded only on the normal RSG basis, i.e. 61% from Exchequer funds; a note on this issue is at Flag A). The text of the Home Office announcement on police pay is below.

b. Armed Forces Pay

(1) Ministers also wished, if possible, to have announced their decision on Armed Forces pay but noted that this involved a decision on top salaries in the Armed Forces, otherwise Brigadiers would be getting more than Major-Generals. Nevertheless, you asked for urgent consideration to be given to an announcement of the decision on Armed Forces pay, including consideration of the TSRB aspect. A separate note on the TSRB Report (which covers the pay of senior officers in the Armed Services, Judges, Nationalised Industry Board members and senior officials) is at Flag B.

(2) The Defence Secretary has now submitted a proposal, attached at Flag C, which recommends that the full military salary shall be paid from 1 April 1979 and that this should be announced forthwith, leaving the Top Salaries aspect on one side for the time being. Cabinet colleagues will no doubt agree with this. The Defence Secretary also raises the question whether the Defence Estimates should be increased by £303 millions to cover the cost of this further increase - this financing question is also covered in the note at Annex A.

At Flag D
is a draft
statement which
Mr Pym proposes
to make.
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c. Devolution - Ministers confirmed their commitment to all-party talks on further devolution of government to Scotland and they also confirmed their intention to repeal the Scotland and Wales Devolution Acts. Ministers were clear that the Government has no commitment to an elected Assembly for Scotland but they did wish to consider further the suggestion that a Select Committee of the Commons should sit in Scotland, although they recognised that this had implications for the business of the Westminster Parliament. The Secretary of State for Scotland, in consultation with the Chancellor of the Duchy of Lancaster, was asked to prepare urgently a paper on these issues for consideration initially by the Home Affairs Committee (H) under the Home Secretary's chairmanship.

d. Reduction in Government Circulars - Ministers agreed that they should set themselves a target of reducing Government circulars by two-thirds and you asked all of them to act promptly in their Departments to secure this objective. It was also suggested that Departments should adopt for circulars the existing practice with regard to Bills of setting out the cost in manpower and money. After the Cabinet meeting, you asked the Head of the Civil Service to monitor progress on this and to let you have a first report in four weeks time.

(e) Freeze on

The Lord President has now indicated you suggesting that the paper comes to Cabinet - see flag DE.

(e) Freeze on Civil Service Manpower - Ministers agreed that it was essential to institute immediately a freeze on the recruitment to the Civil Service for a period; they recognised, however, that there would necessarily have to be certain exceptions from the freeze in specific areas but these exceptions could only be made with the approval of the Departmental Ministers concerned. During this period of freeze, Ministers would undertake an urgent examination of functions to secure reductions in the Civil Service manpower requirement so that it was brought within the limits imposed by the freeze and ultimately much lower. The Lord President, as Minister in charge of the Civil Service on behalf of the Prime Minister, was asked to consult the Head of the Civil Service urgently and to prepare a paper setting out a policy on these lines for Ministerial decision.

f. Comparability Commission - Ministers considered the status and function of the Standing Commission on Comparability and questioned whether, leaving aside the question of whether it should continue at all, its terms of reference and membership were appropriate. You subsequently commissioned an analysis for this purpose from the Cabinet Office.

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g. Price Commission - The Secretary of State for Trade referred to a minute he had sent you seeking agreement to immediate abolition of the Price Commission. You directed that the Government should not take precipitate decisions of this nature but advised that he should immediately see whether it would be appropriate, using such powers as he had, to put a stop to any current investigations where this seemed desirable.

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h. Pay Negotiations (Department of Energy) - The Secretary of State for Energy sought advice on whether he should act independently in dealing with issues relating to pay arising

/in the fields

in the fields for which he was responsible or whether he should seek collective consideration by colleagues. You directed that Ministers should stand back from these negotiations, should not engage the Government in collective consideration of them, and that the Secretary of State, insofar as it was necessary for him to become involved at all, should take responsibility for giving guidance to the Nationalised Board concerned, in bilateral consultation with colleagues most closely concerned.

h. Cabinet Confidences, Responsibility, Diaries, etc. - You wished to deal with this separately at the conclusion of this first Cabinet meeting. A speaking note prepared by the Cabinet Office which can be recorded more or less verbatim in minutes, is in the folder for the last item.

KRS.

Notes

papers

- papers
minutes
minutes

9 May 1979

Ref: A09520

Copy No.

*copy on: Defence,
Armed Forces Pay,
May '79.**12*PRIME MINISTERCABINET : POLICE AND ARMED FORCES PAY

(Mr. Whitelaw's minute of 8 May;
Mr. Stowe's letter of 8 May; and
Mr. Pym's minute of 9 May)

BACKGROUND

Cabinet discussed both these points briefly at its informal meeting on 8 May. You then agreed that the decision on police pay should be announced on Wednesday; this has now happened. The facts are set out in the Home Secretary's minute of 8 May. At the same meeting it was suggested that armed forces should be dealt with at the same time. You were not prepared to agree to this on the spot, and asked for proposals. (Mr. Stowe's letter of 8 May). The Defence Secretary sets out his suggestions in a minute of 9 May. It has since been agreed that an announcement on the Armed Forces should be postponed until after this Cabinet discussion.

HANDLING

2. I suggest you take the two groups in order.

a. Police pay. The decision has been taken and announced. You wanted Cabinet formally to ratify, for the record, the informal decision taken on Tuesday. This covers both the acceleration of the pay increase, and the question of Rate Support Grant: both are dealt with in the Home Secretary's minute, and in Mr. Stowe's letter of 8 May recording your decision. In practice your decision on the Rate Support Grant has been interpreted to mean that the cash limit will be increased to cover the Government's contribution to the additional RSG element, - i.e. the Local Authorities carry 39% of the cost (a little less in Scotland) and, so far as I am aware no colleague is likely to object to this (the extra cost of covering 100% of the award by RSG would be £15m (England and Wales)

/and

and the precedent could be awkward later). There may be some small consequential changes to be made in the pay of non-Home Office police forces (e.g. the MOD constabulary). These are currently under review by a separate Committee under Mr. E.D. Wright set up following the Edmund-Davies report. It is due to report shortly. If these are raised, you should ask the Ministers concerned to take up the question separately with the Lord President.

b. Armed Forces. The Defence Secretary's proposals fall into three groups:

- i. Bringing forward the full level of the military salary to 1 April 1979 for all ranks covered by the AFPRB Report, including service doctors and dentists. (Strictly speaking, this last bit means anticipating the Government decision on the Doctors' and Dentists' Review Body Report, and the Chancellor may resist this. You may want to support him in the interests of getting orderly decisions).
- ii. Postponing a decision on the higher ranks (Major General and above) until Cabinet considers the TSRB report. (The effect will be that Brigadiers will receive more pay than Major Generals until decisions are taken and implemented on the TSRB). However, no Minister is likely to object to this provided the inverse differential does not last too long.
- iii. A package of improvements in travel warrants and house purchase schemes, and in TAVR bounties. Mr. Pym is not seeking an early decision on these, and does not intend to make an immediate announcement. The question of TAVR bounties will in any case have to be referred to the AFPRB.

3. Mr. Pym also asks for decisions on cash limits to cover these three items. Since in practice he is prepared to postpone decisions on ii. and iii. above, he is only asking at this stage for an increase in the cash limits of £114 million for pay. I understand that the Chancellor of the Exchequer will be prepared to accept the increase of £111 million (i.e. excluding £3 million for service doctors) and to ask that the remainder should be postponed. The procedure would then be for Mr. Pym to take up directly with the Lord President (as Minister for the Civil Service) the issues at ii. and iii. above, to raise the question of service doctors when Ministers take the DDRB Report, and then to take up the consequential cash limits increases separately with the Chancellor or with the Chief Secretary. The same would apply to the proposals for improved local overseas allowances. Decisions here need not come back to Cabinet unless the Chancellor and Mr. Pym are unable to agree, or unless other colleagues argue that these extra bids should be looked at with other spending proposals in the public expenditure review.

4. Related matters. These two questions will raise, in the minds of Cabinet Ministers, the general question of pay policy. You might like to tell the Cabinet, therefore, that you intend to circulate an "annotated agenda" for next week's Cabinet, which will allow Ministers to have a general discussion. This will be accompanied by a detailed paper from the Chief Secretary of pay and cash limits for 1979-80, and possibly by a further paper by the Chancellor on the future of comparability. It may however be necessary to take separate and early decisions on teachers pay, and you are arranging for this to be discussed in the Ministerial Committee on Economic Strategy on Monday. (I am sending you a separate note about this). Otherwise, you should ask that no further decisions on public sector pay should be taken until the Cabinet has had a chance to review the policy generally.

CONCLUSIONS

5. You might aim to record the following conclusions from this discussion:

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- a. To confirm that the recommendations of the Edmund-Davies Committee on Police pay should be implemented in full from 1 May 1979, and that the cash limits for police services should be increased accordingly with the Government providing its standard RSG contribution;
- b. To invite the Ministers concerned to settle in due course any necessary consequential increases to non-Home Office police forces if possible in correspondence with the Lord President and the Chancellor of the Exchequer;
- c. To approve implementation of the full level of military salary recommended by the Armed Forces Pay Review Body in its eighth report as appropriate at 1 April 1979 for all ranks up to Brigadier but excluding service doctors and dentists if colleagues so decide pending decisions on the Report of the Doctors' and Dentists' Review Body.
- d. To approve an increase in the cash limit for the defence budget of £114 million to cover these increases.
- e. To note that Defence Secretary will be bringing forward separate proposals for improvements in service allowances and the TAVR bounty, [] and that he and the Chancellor have authority to settle these without ^{further} reference to Cabinet. 7
- f. To note that the pay of senior officers above the rank of Brigadier will be settled later in the context of the TSRB Report.
- g. To note that you will be arranging for a full discussion in Cabinet of public sector pay policy, and to invite Ministers to postpone any further decisions (except possibly for teachers until that discussion has taken place).

JOHN HUNT.

9 May 1979