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cc Mr. Hoskyns

MR. SCHOLAR

Deben

Armed Forces' pay

I think you should be aware of the way in which the Report of the Official Group who looked at the Government's commitment on armed forces' pay is likely to be handled. The Group completed its work in the middle of February, and its Report has now been seen by Mr. Nott. Mr. Nott will be discussing the recommendations with the Defence Chiefs tomorrow afternoon, and will then circulate it to his colleagues in the Ministerial Group on Pay, with a covering recommendation. I understand that the recommendation is likely to endorse the milder of the Group's conclusions - that the Government might announce that in future they will introduce more evidence to the AFPRB, particularly bearing on economic and manpower considerations, and request them publicly to give greater weight to these - but will reject the possibility of some formal amendment to the AFPRB's terms of reference. After discussion in E(PSP), the Chancellor would make a recommendation to the Prime Minister.

This timetable is acceptable; but we need to keep an eye on it to ensure that there is no delay. I think Ministers ought to consider this before they receive the recommendations of this year's AFPRB, so that they have some idea how armed forces' pay is likely to be treated in the future. And I would be opposed to any suggestion that the whole thing be put on ice until Megaw has reported, because that would simply mean that next year's AFPRB would be on the same basis as this: it is going to take a long time to apply Megaw elsewhere in the public services.

J.V.

John Vereker

17 March 1982

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