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CONFIDENTIAL

5 August 1982

Mr. *W*
8/8
MR RICKETT

cc Mr Mount
Mr Ingham

POLICE PAY

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

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

Jr.

JOHN VEREKER

CONFIDENTIAL



ms

ck JV
Blair

QUEEN ANNE'S GATE LONDON SW1H 9AT

6 August 1982

Prime Minister

2

Dear Geoffrey

POLICE PAY

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

*Wh
6/8*

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

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

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

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

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

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

/contd ...

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

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

Yours etc
Walter

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Prime Minister

2 JV
2 Police
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3/8

Treasury Chambers, Parliament Street, SW1P 3AG

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

3 August 1982

2 Willie

POLICE PAY AWARD 1982

Thank you for your letter to Geoffrey Howe of 2 August. ^{TPM.}

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

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

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

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

LEON BRITTAN

CONFIDENTIAL



QUEEN ANNE'S GATE LONDON SW1H 9AT

2 August 1982

Prime Minister 2

Dear Jeffrey

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

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

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

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

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

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

Handwritten signature: J. H. [unclear]

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

R.
DRAFT PARAGRAPHS FOR LETTER TO CHAIRMAN OF OFFICIAL SIDE

1982-83

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

1983-84

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

2 AUG 1982

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CONFIDENTIAL

cc JV

Prime Minister 2



2 MARSHAM STREET
LONDON SW1P 3EB

*W
4/8*

My ref: H/PSO/15528/82

Your ref: 4 August 1982

See letter

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

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

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

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

*Yours ever
MHE*

MICHAEL HESELTINE

4 AUG 1982





WMS

*S.V.
Police*

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

3 August 1982

D. Norman.

POLICE PAY

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

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

J. Norman