



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

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The Rt Hon John Nott MP  
Secretary of State for Defence

4 November 1982

*See John*

LONDON WEIGHTING FOR THE ARMED FORCES / 21

Thank you for your letter of 20 October enclosing amended draft evidence to the Armed Forces Pay Review Body (AFPRB) on London Weighting for the Armed Forces for the year beginning 1 April 1982.

I agree, of course, that the evidence should now reflect the decision at E(PSP) to discontinue publication of the Department of Employment London Weighting indices. I do not accept, however, that most of the points made by the Chief Secretary in his letter of 3 September have now been overtaken by that decision. The fact that London Weighting boundaries as applied to the Armed Forces are wider than those recommended by the Pay Board, is still relevant; and so is the fact that the implementation date in respect of the Armed Forces is earlier than that recommended by the Board.

I also feel that the "stronger flavour" which the Chief Secretary was seeking to insert, has now disappeared from the revised version. We would not wish to give the AFPRB the impression that the indices remain a relevant consideration for the 1982 settlement. This was not our intention and we do not wish to risk complicating the Civil Service negotiations, the teachers' arbitration and in due course negotiations on NHS London Weighting. I realise, of course, that we cannot expect AFPRB simply to ignore the indices in the light of their recent publication, but we do need to give the Review Body a firm statement of the Government's views, thereby placing the indices in their proper perspective. I am therefore enclosing for your consideration an amended version, which sets out the Government's rigorous approach to this issue. Annexes A and B are as previously drafted, except for the deletion of the Revised Costs in Annex B which were based on the application of the indices and which would now seem inappropriate.

I trust that you and other colleagues will now feel able to agree the content of the evidence and thus expedite its submission to AFPRB. Copies go to members of E(PSP) and to Sir Robert Armstrong.

*John*



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PROPOSED EVIDENCE

1982 PAY REVIEW - LONDON PAY

As the Review Body will be aware, London pay for the Armed Forces is currently based on the formula proposed by the Pay Board in the Report on London Weighting, Cmnd 5660. The current calculated annual rates together with the actual daily rates at present in issue are given below:

	<u>Inner London</u>		<u>Outer London</u>	
	<u>£pa</u>	<u>£(daily)</u>	<u>£pa</u>	<u>£(daily)</u>
Basic Rate	519.44	(1.42)	296.37	(0.81)
Owner Occupier Rate	736.66	(2.16)	407.34	(1.12)

2. As the Review Body will be aware, London Weighting indices up to April 1982, were published in the Department of Employment Gazette for June 1982, Volume 90 No 6, prior to the Government's decision. For the information of the Review Body, the calculations based on this format, which are shown at Annex A, would produce an average increase of 9.4 per cent. Details of the numbers in receipt of London Pay together with current costs are given at Annex B.

3. For many other public service employees, London Weighting was settled last year at levels below the Department of Employment indices. The Government has now decided to discontinue publication of the indices for the reasons explained in the following statement to Parliament on 19 October 1982 by the Secretary of State for Employment:

"London differentials are a matter for employers and employees to determine according to the circumstances of each firm or industry. But in the Government's view the indices encourage negotiators to place too much emphasis on the need to compensate employees for the additional costs of working in London and too little on the need to set rates of pay which the employer can afford, and which are sufficient to recruit, retain and



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motivate employees in London. Moreover, the indices are based on expenditure patterns which are now out of date. Therefore, I have decided to discontinue publication of the indices."

The Government hopes that the Review Body will be able to apply the considerations in the statement to the particular circumstances of the Armed Forces.

4. The Government hopes that the Review Body will also take into account that in two respects the application of the Pay Board's method to the Armed Forces has been more favourable than envisaged in their report (Cmd 5660):

(a) In paragraph 167, the Pay Board recommended that where the boundaries for payment of London Weighting differed from those they had recommended, "consistency with our recommendation can be secured by calculating a 'kitty' based on entitlement on our boundaries which is averaged over all employees". The Pay Board's recommended inner zone was defined as 0-4 miles from Charing Cross and their outer zone 4-16 miles from Charing Cross. London Weighting for the Armed Forces is currently based in zones extending 5 and 18 miles respectively from Charing Cross.

(b) In paragraph 168 the Pay Board recommended that annual changes in London Weighting should be paid from 1 July in each year. Armed Forces entitlements to London Weighting are currently brought into force as from 1 April each year.

5. The Government has adopted a similar rigorous approach in its negotiations with the Council of Civil Service Unions about this year's London Weighting settlement for the non-industrial Civil Service. As the Review Body will have seen, the outcome was an agreed settlement with the unions at levels averaging some 9 per cent below those which would have been indicated by a conventional application of the Department of Employment's indices.



UPRATING OF LONDON PAY - DETAILED CALCULATIONS

The calculations shown below reflect the Guidance in Appendix VI of the Pay Board Report

Formula: 1974 Difference  $\times \frac{\text{Index}}{100}$   $\times$  Basic Rate of Tax  $\frac{100}{70}$  (except wear and tear).

	<u>Inner</u> £	<u>Outer</u> £
(i) Other Costs $54 \times \frac{327.6}{100} \times \frac{100}{70}$	252.72	252.72
(ii) Wear and Tear $105 \times \frac{301.3}{100}$	316.36	
$24 \times \frac{301.3}{100}$		72.31
	569.08	325.03
(iii) Housing $95 \times \frac{208.6}{100} \times \frac{100}{70}$	283.10	
$54 \times \frac{142.2}{100} \times \frac{100}{70}$		109.70
	852.18	434.73
	852.18	434.73
	£pa (£ daily)	£pa (£ daily)
Therefore new basic rate:	569.08 (1.56)	325.03 (0.89)
owner occupier rate:	852.18 (2.33)	434.73 (1.19)



NUMBERS CURRENTLY IN RECEIPT OF LONDON PAY AND COSTS

	<u>INNER LONDON</u>		<u>OUTER LONDON</u>		TOTALS
	<u>Basic Rate</u>	<u>Owner Occupier Rate</u>	<u>Basic Rate</u>	<u>Owner Occupier Rate</u>	
<u>Numbers</u>					
RN	1127	100	1120	122	2469
ARMY	3410	692	3848	268	8218
RAF	771	612	3223	383	4989
	<u>5308</u>	<u>1404</u>	<u>8191</u>	<u>773</u>	<u>15676</u>
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<u>Current Cost (£)</u>					
RN	0.584	0.079	0.331	0.050	1.044
ARMY	1.767	0.546	1.138	0.110	3.561
RAF	0.399	0.482	0.952	0.157	1.990
	<u>2.750</u>	<u>1.107</u>	<u>2.421</u>	<u>0.317</u>	<u>6.595</u>
	<u><u>2.750</u></u>	<u><u>1.107</u></u>	<u><u>2.421</u></u>	<u><u>0.317</u></u>	<u><u>6.595</u></u>



Defense, Armed Forces Pay, P42





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20th October 1982

*Dear Geoffrey*

LONDON WEIGHTING FOR THE ARMED FORCES

On 18th August, I circulated to you and other members of E(PSP) draft evidence to the Armed Forces Pay Review Body on London Weighting for the Armed Forces for the year beginning 1 April 1982. The Chief Secretary made a number of detailed points in his letter of 3rd September, most of which were overtaken by the decision at E(PSP) on 30th September to discontinue publication of the Department of Employment London Weighting indices.

I have amended the draft evidence to reflect this new development. A copy is attached; the Annexes would be the same as those I circulated before. I propose to forward the revised evidence to the Armed Forces Pay Review Body as soon as the decision on the indices has been announced, if you and other colleagues agree.

Copies go to members of E(PSP) and to Sir Robert Armstrong.

*John Nott*  
*John*

John Nott

Copy to: PS/Minister(AF)  
PS/US of S(AF)  
PS/PUS  
MA/VCDS(P&L)  
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Head of DS 14  
CSO(Pay)  
Sec PPOs

The Rt Hon Sir Geoffrey Howe QC MP



## 1982 PAY REVIEW - LONDON PAY

(Paper by the Ministry of Defence for the Armed Forces Pay Review Body)

As the Review Body will be aware, London Pay for the Armed Forces is based on the formula proposed by the Pay Board in the Report on London Weighting, Cmnd 5660. The current calculated annual rates together with the actual daily rates at present in issue are given below:

	<u>Inner London</u>		<u>Outer London</u>	
	<u>£pa</u>	<u>(£ daily)</u>	<u>£pa</u>	<u>(£ daily)</u>
Basic Rate	519.44	(1.42)	296.37	(0.81)
Owner Occupier Rate	786.66	(2.16)	407.84	(1.12)

2. The Department of Employment Gazette for June 1982, - Volume 90, No.6, has now been published giving changes in the relevant indices up to April 1982, and calculations based on this information in the same format as presented on previous occasions are shown at Annex A. Details of the numbers in receipt of London Pay together with the current costs and those derived from the new indices are shown at Annex B. The average increase is 9.4%.

3. Last year, London Weighting for many other public service employees was settled at levels below the Department of Employment indices. It remains the Government's intention that increases should be based on managerial considerations rather than price movements, and to this end it has decided to discontinue publication of the Department of Employment London Weighting Indices. For future years it will therefore be necessary for the Review Body to devise a new method for determining a fair level of London Pay, taking account of market forces. In the meantime, the Government hopes that the Review Body will bear in mind the Government's general strategy in framing its recommendations for the current year.



Refence, Armed Forces Pay, 1972