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cc: D. Gup
WCD
Hart
CO

10 DOWNING STREET

THE PRIME MINISTER

23 January, 1984

Dear Sir David,

Thank you for your letter of 12 December which contains your Review Body's recommendation on London Weighting for the Armed Forces from 1 April, 1983.

I am writing to tell you that the Government will be implementing your recommendation. I am grateful to you and the Review Body for their work on this matter.

Yours sincerely

Raymond Stobbes

Sir David Orr, M.C.

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10 DOWNING STREET

Prime Minister

MOD and Treasury both
accept Sir David Orr's
re commendation, though
not be argumentation which
led to it. I suggest the
letter be amended to
make it slightly clearer
we are accepting
re commendation not
advice. MOD & Treasury concur.
Agree?

Yes AT

18/11

G.R.

PC type

blind copies to

M O' M	Tsy
D M	Emp
NE	MoD
R H	CO.



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~330 7832~~ 218 2111/3

MO 4/4

17th January 1984

Dear Andrew,

LONDON WEIGHTING FOR THE ARMED FORCES

My Secretary of State has seen your letter of 22nd December which enclosed the Armed Forces Pay Review Body's recommendation on London Weighting for the Armed Forces.

Although Sir David Orr's recommendation differs from the joint Treasury and MOD proposal that there should be a link with the Military Salary, my Secretary of State considers that the Government should implement the Review Body's recommendation. In particular, he considers it important to preserve the Government's record of accepting AFPRB recommendations in full and he does not regard London Weighting as an issue which would warrant a disagreement between the Government and the Review Body. The extra cost of £240,000 is small and can be met from within the MOD's cash limits.

A draft reply to Sir David Orr is attached which assumes that the Prime Minister will accept this recommendation.

I am copying this letter to Margaret O'Mara (Chancellor's office), David Normington (Department of Employment) and Richard Hatfield (Cabinet Office).

Yours ever

Mich Evans

(N H R EVANS)

A Turnbull Esq

DRAFT LETTER FROM THE PRIME MINISTER TO SIR DAVID ORR

Thank you for your letter of 12 December which contains your Review Body's recommendation on London Weighting for the Armed Forces from 1 April 1983.

I am writing to tell you that the Government will be implementing your recommendation accordingly. I am grateful ^{to you and the Review Body} for your advice on this matter. *Further work on this matter.*

Must be amended

Defence: Armed Forces Pay
Pt 2

11 8 JAN 1984



Sir David ORR

CF yours?



Ack'd 22.12 ✓

file

cc HWT
D/ETUP
CO

10 DOWNING STREET

From the Private Secretary

22 December 1983

The Prime Minister has received the attached letter from Sir David Orr on London weighting for members of the Armed Forces. I would be grateful if you in conjunction with the Treasury could provide advice on how the Prime Minister should respond to this.

I am copying this to Margaret O'Mara (HM Treasury), Barnaby Shaw (Department of Employment) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

Richard Mottram Esq
Ministry of Defence

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OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

12 December 1983

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY: LONDON WEIGHTING

1. The Review Body has recently considered evidence from the Ministry of Defence and the Treasury on the level of London weighting for members of the armed forces with effect from 1 April 1983. In accordance with previous practice, it seems appropriate to convey our recommendations by letter rather than in the form of a supplement to our 1983 report: only a very small proportion of men and women in the Services is affected.
2. Since 1974, London weighting for the armed forces has been calculated on the basis proposed by the Pay Board¹ but modified to take account of the specific circumstances of the armed forces. The elements in the Pay Board formula covering the additional costs of housing and travel to work in London have been excluded from the basic armed forces rates because Service accommodation is provided at a cost standardised throughout the country and there is some reimbursement of the additional costs of travelling to work. Higher rates, which allow for the housing element, have been payable to those who are owner-occupiers and travel daily from their homes to work in London.
3. In October 1982, publication of the Department of Employment indices, which updated the Pay Board formula, was discontinued. This has meant that we have not been able to make our normal calculations this year. In these circumstances, the Ministry of Defence and Treasury have proposed that we should simply link increases in London weighting for the armed forces to movements in the military salary. We find this proposal unsatisfactory. In making our recommendations for 1 April 1982 we explained that members of the armed forces, who are compulsorily posted (on a temporary basis) to London, are in a different position from most people in receipt of London weighting, who have some choice as to whether or not they live and work in London. We took the view, therefore, that London weighting for members of the armed forces is more in the nature of a reimbursement of additional costs than a payment aimed at recruitment and retention in a particular locality; and that those who serve in London should not be put a financial disadvantage relative to Service colleagues elsewhere. We remain of this view. The proposed link with military salary would produce levels of London weighting which, in some years, could over-compensate for the extra costs of living and working in London but which, in other years, might be less than necessary. This would not accord with our concept of the function of London weighting in the particular context of the armed forces.

1. Pay Board Advisory Report 4, London Weighting, Cmnd 5660, July 1974



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4. In considering what recommendations to make for 1 April 1983 we have paid regard to various assessments of the extra costs of living and working in London and have examined information from a number of different sources. The amounts it is appropriate to recommend, taking account of the special circumstances of the armed forces, must be essentially a matter of judgment; but we are satisfied that the information available is sufficient to provide a guide for our purpose.

On this basis, we recommend the following rates of London weighting (before adjustment for daily rates of payment) as appropriate for members of the armed forces with effect from 1 April 1983 (the current rates are in brackets):

	Inner London	Outer London
	£	£
Basic Rate	590 (569)	335 (325)
Owner-Occupier Rate	875 (850)	450 (434)

5. We estimate the additional annual cost arising from this recommendation to be about £240,000.

Yours sincerely
David Orr

SIR DAVID ORR
CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

13 DEC 1983

