

PRIME MINISTER ①

See comments 48

REVIEW BODY REPORTS

The Cabinet Office have prepared a paper on the Review Body Reports, recommending to Cabinet the outcome of the discussions in the Group of Ministers. Also attached is the text of a draft written answer announcing the outcome. My guess is that the main opposition to the recommendations will come from Sir Keith Joseph who will argue that teachers compare themselves with civil servants and nurses and that a generous settlement for the latter will undermine his negotiations.

1. Agree the paper and draft answer and that they be circulated on Tuesday?

On handling, it is suggested that a PQ be put down on Wednesday night for answer in written form around 3.30 p.m. on Thursday, 7 June, after the Cabinet meeting. The Review Body Reports, which are being printed under our control, would be released at the same time (the arrangements allow the release to be held up if Cabinet decides that it needs to take a second look at the issue).

2. Agree a PQ be put down on Wednesday evening to keep open the option of an announcement after Cabinet?
3. To note that arrangements are being made to inform the Chairmen of the Review Bodies between the outcome of the Cabinet discussion and the announcement.

AS

1 June 1984

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10 DOWNING STREET

From the Private Secretary

MR. GREGSON
CABINET OFFICE

PAY REVIEW BODY REPORTS 1984

The Prime Minister has seen the draft Cabinet Paper and the draft announcement attached to your minute of 1 June. She is content for the Paper to be circulated on Tuesday morning. She has, however, suggested some drafting changes to the Answer. In the second paragraph, line one add "... Health Visitors which is the first time the Review Body procedure has applied to these groups, recommends" Paragraph three, line six "... overall cost and the clear need" End of penultimate paragraph to read "... in excess of existing provision. Further consideration is being given on how the rest will be financed."

The Prime Minister has agreed that a PQ should be put down on Wednesday evening. No. 10 Parliamentary Section will undertake this. She has also agreed that arrangements should be made, between the Cabinet decision and the announcement, for Sir Robert Armstrong to inform Lord Plowden of the Government's recommendations, and for MOD and DHSS to inform their respective Chairmen.

I am sending a copy of this minute to Mr. Hatfield in Sir Robert Armstrong's office.

Andrew Turnbull
4 June 1984



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SECRET AND PERSONAL

P.01298

MR TURNBULL

PAY REVIEW BODY REPORTS 1984

I attach the draft paper for Sir Robert Armstrong to circulate to the Cabinet. This takes account of comments from the Permanent Secretaries concerned.

2. I should be grateful if you would confirm that the Prime Minister is content for the paper to be circulated on Tuesday morning, 5 June.

3. As you probably know the Treasury will be responsible for briefing and press enquiries of a general nature about the Review Bodies and more specifically about the TSRB. MoD will lead on the AFPRB and DHSS on the DDRB and NRB.

4. So far as the handling of Chairmen is concerned, Sir Robert Armstrong will endeavour to see Lord Plowden between the end of Cabinet and 3.30pm on Thursday. You are arranging with the MoD and DHSS for them to communicate with their respective Chairmen between the decision and the announcement.

P L GREGSON

1 June 1984

RAFT

CABINET

PAY REVIEW BODY REPORTS 1984

Note by the Secretary of the Cabinet

Decisions are required on the following pay review body reports:

- i. Armed Forces Pay Review Body (AFPRB);
- ii. Review Body for Nursing Staff, Midwives, Health Visitors and professions allied to medicine (NRB):
 - a. on nursing staff, midwives and health visitors;
 - b. on professions allied to medicine;
- iii. Doctors and Dentists Review Body (DDRB);
- iv. Top Salaries Review Body (TSRB) on higher civil service, senior service officers, and the judiciary.

Their recommendations in all cases relate to 1 April 1984.

Policy and recent practice in relation to review body reports

2. There is a long-standing commitment (re-affirmed when the Nurses Review Body was set up in July last year) that the Government will implement the recommendations of Review Bodies "unless there are clear and compelling reasons for not doing so". The AFPRB's recommendations have never been rejected by the Government although their implementation was staged in 1978. The DDRB's recommendations were abated in 1981 and 1982 but in 1983 the abatement was restored with effect from 1st January 1984. The TSRB's recommendations have never been accepted in full in recent years but their 1983 recommendations were implemented in two stages, from 1 August 1983 and from 1 January 1984.

AFPRB recommendations for 1984

3. The AFPRB estimate that the net cost of their recommendations will add 7.6 per cent (£198.1 million) to the estimated pay bill for 1984-85. The number affected is 321,000.

4. The increases for selected ranks are:

	<u>now being paid</u>	£ <u>proposed</u>
Brigadier and equivalent	25,001	27,101
Captain (Army) and equivalent	10,453-12,144	11,330-13,169
Sergeant and equivalent	7,895- 9,439	8,472-10,184
Private (I) and equivalent	5,552- 6,976	5,928- 7,490

The report also makes detailed proposals on charges and forms of special pay which will be considered separately.

NRB recommendations for nursing staff, midwives and health visitors 1984

5. The NRB estimate that the cost of their recommendations will add 7.5 per cent (£228 million) to the estimated 1984-85 pay bill for nursing staff etc. The number affected is some 550,000 (or 484,000 in "whole-time equivalent" terms).

6. The increases for selected grades are:

	<u>now being paid</u>	£ <u>proposed</u>
Regional Nursing Officer (R1)	18,973-24,292	20,491-26,235
District Nursing Officer (England) (DHA1(T))	17,594-23,039	19,002-24,882
Nursing Sister II	6,321- 8,103	6,827- 8,751
Staff Nurse (SRN)	4,998-6,094	5,398- 6,582
Nursing Auxiliary/Assistant (aged 18 or over)	3,530- 4,512	3,777- 4,828

NRB recommendations for professions allied to medicine 1984

7. The NRB estimate that the cost of their recommendations will add 7.8 per cent (£17.9 million) to the estimated 1984-85 pay bill

for professions allied to medicine (physiotherapists, radiographers, chiropodists, dietitians etc). The number affected is 44,000 (or 33,500 in "whole-time equivalent" terms).

8. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
District I Physiotherapist etc	12,561-13,067	13,566-14,112
Basic grade	5,367- 6,074	5,796- 6,560

DDRB recommendations for 1984

9. The DDRB estimate that their recommendations will add 6.9 per cent (£118 million) to the annual pay bill for doctors and dentists. The number affected is 94,950.

10. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
Consultant	18,900-24,260	20,200-26,080
General medical practitioner (intended average net remuneration)	20,670	22,070
General dental practitioner (target average net. income)	17,890	19,100
Registrar	9,490-11,500	10,130-12,270

In addition the DDRB has recommended substantial increases in payments to family doctors in respect of practice expenses. This is expected to cost around £60 million in 1984-85.

TSRB recommendations for 1984

11. The TSRB estimate that their recommendations will involve increases of just under 6½ per cent. The numbers affected are: 682 higher civil servants of the rank of Under Secretary and above; 215 senior officers in the armed forces of the rank of Major General and equivalent, and above; and 1017 members of the judiciary.

12. The increases for selected grades are:

	£	
	<u>now being paid</u>	<u>proposed</u>
<u>Higher civil service/senior officers in the armed forces</u>		
Permanent Secretary/General and equivalent	42,750	45,500
Deputy Secretary/Lieutenant General and equivalent	34,250	36,500
Under Secretary/Major General and equivalent	27,750	29,500
<u>Judiciary</u>		
Lord Chief Justice	60,000	64,000
High Court Judge	48,000	51,250
Circuit Judge	31,000	33,000

Proposals for handling the reports

13. Ministers directly concerned meeting under the Prime Minister's chairmanship have considered these recommendations. Their proposals to the Cabinet are as follows:

- i. The two reports of the NRB - that relating to nurses and midwives (recommended increase 7.5 per cent) and that relating to professions allied to medicine (recommended increase 7.8 per cent) - should be implemented in full from 1 April 1984. Although the increases recommended are large in relation to settlements elsewhere in the economy (running at around 5.5-6 per cent in the private sector and rather less in the public services sector), Ministers considered that it would be exceptionally difficult to reject the recommendations for these particular groups, who command a wide measure of public sympathy, in the first year of operation of a new review body set up in the aftermath of the 1982 National Health Service dispute. It should however be made clear to the staff concerned that the recommendations were

accepted on the basis that staff would cooperate with management in securing improved productivity.

ii. In the case of all the remaining review body reports (DDRB: recommended increase 6.9 per cent; AFPRB: recommended increase 7.6 per cent; and TSRB: recommended increase just under 6.5 per cent) Ministers considered that acceptance of the recommendations in full would have unacceptable repercussions on other outstanding public sector pay negotiations and would also have unacceptable public expenditure consequences taken overall. Outright rejection would however be difficult to justify, and could call in question the continuation of the review body arrangements. The doctors and dentists would be likely to object strongly to significant discrimination against them in favour of the nurses and professions allied to medicine. The Government might also attract strong criticism if it appeared to be abandoning the promise referred to (albeit not explicitly renewed) in the 1983 Manifesto "to give proper pay and conditions" to the armed forces. Ministers therefore concluded that the right course was to increase pay by 3 per cent from 1 April 1984 with the full recommended rates coming into payment from 1 November 1984. Based on the Review Bodies' figures, it is estimated that this would reduce the effective increase over 12 months from 1 April 1984 to 4.63 per cent for doctors and dentists, 4.92 per cent for the armed forces and 4.46 per cent for the top salary groups. Pensions will be based on the salaries actually in payment in accordance with the principle set out in the Prime Minister's written answer on 13 April 1984 (OR Col 383).

Costs

14. In the case of the armed forces, the cost of the proposals in paragraph 13 would be met within existing cash limits; the same goes for the top salary groups generally though the Treasury are prepared to look at cases of particular difficulty. For the NHS the Secretary of State for Social Services and the Chief Secretary, Treasury have agreed, subject

to the concurrence of the other health Ministers, that the health authorities should contribute from their efficiency savings £57 million towards the excess over the existing 3 per cent provision. (This would cover both Review Body groups and other staff, assuming settlements of up to 4.5 per cent.) The total charge to the Reserve would be £300 million; the presentation of this is under consideration. The Secretary of State for Social Services and Treasury Ministers will be considering whether there should be an increase in that part of the National Insurance Contribution related to the National Health Service to recover some or all of these increased costs.

Timing and form of announcement

15. The Prime Minister has said in the House that she hopes to be able to make an announcement in all the review body reports "not later than just after the Whitsun recess". The Ministers who met under the Prime Minister's chairmanship therefore recommend that, if the Cabinet are able to reach decisions on 7 June, all the Reports should be published that afternoon and that the Prime Minister should simultaneously announce the Government's decisions on them by Written Answer, as in recent years. A draft Written Answer, in line with the recommendations in paragraph 13 above, is attached in the Annex to this paper.

ISSUES FOR THE CABINET

16. The Cabinet is invited to consider:

- i. the proposals for handling the 1984 pay review body reports set out in paragraph 13 above;
- ii. depending on the decisions reached on those proposals, the draft Written Answer in the Annex for issue on the afternoon of Thursday 7 June.

Q To ask the Prime Minister if she will make a statement on the reports of the pay review bodies.

A The reports of the Review Body for Nursing Staff, Midwives, Health Visitors and Professions allied to Medicine, the Doctors and Dentists Review Body, the Armed Forces Pay Review Body and the Top Salaries Review Body have been published today. Copies are now available in the Vote Office. The Government are grateful to the members of the review bodies for these reports and for the time and care which they have put into their preparation.

? (Which is the first time the review body procedure has ever been done like this?)

Original to make it clear that the first report

The report on Nursing Staff, Midwives and Health Visitors recommends new rates of pay which will add 7.5 per cent to the estimated pay bill for 1984-85. In the report on Professions allied to Medicine the equivalent figure is 7.8 per cent. The Government has decided to accept the recommendations in full with effect from 1 April 1984.

The reports of the Doctors and Dentists Review Body, the Armed Forces Pay Review Body and the Top Salaries Review Body on the higher civil service, senior armed forces officers and the judiciary recommend increases which would add 6.9 per cent, 7.6 per cent, and just under 6.5 per cent respectively to the estimated 1984-85 pay bills for the groups concerned. Bearing in mind the overall cost and the clear need for continued restraint in public expenditure, the Government considers that it would not be right to implement the recommendations

in full from 1 April 1984. The increase payable from that date for all groups will be 3 per cent and the recommended rates will be paid from 1 November 1984. Pensions will be based on the salaries actually in payment in accordance with the principle set out in my written answer on 13 April 1984 (OR Col 383). The average increase in pay received by these groups over the twelve months beginning on 1 April 1984, is estimated to be: for doctors and dentists 4.63 per cent; for the armed forces 4.92 per cent; and for the higher civil service, senior armed forces officers and the judiciary 4.46 per cent.

In the case of the armed forces and generally for the top salary groups the costs of these increases will be contained within existing Departmental programmes. In the case of the NHS groups, health authorities will be expected to find from efficiency savings part of the cost in excess of existing provision ^{Further work done in long term} ~~and the balance will be charged to the~~ Reserve. *It is now how to fund the rest.*

The pay rates and scales resulting from these decisions will be promulgated as soon as possible. The Government will be considering separately certain recommendations on points of detail.

FROM: P L GREGSON CB, DEPUTY SECRETARY

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COPY 7 OF 9 COPIES

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~XXXXXXX~~ 233 8339

P.01294

bcc Sir Robert Armstrong
Mr. Turnbull

Sir Peter Middleton KCB
Permanent Secretary
H M Treasury
Parliament Street

22 May 1984

SECRET AND PERSONAL

Dear Peter

HANDLING OF REVIEW BODY REPORTS 1984

I attended the Prime Minister's meeting on 21 May about the handling of the 1984 review body reports and was asked to prepare a draft note by the Secretary of the Cabinet setting out the proposals agreed at that meeting, together with a draft Written Answer. It was envisaged that the note would be circulated on Tuesday 5 June for discussion by the Cabinet on Thursday 7 June, with the Written Answer given later that day.

I should be grateful if you and the other recipients of this letter would arrange for comments on the drafts to be sent to me by lunchtime on Thursday 31 May.

The Treasury, DHSS and Lord Chancellor's Department will want to look particularly at what is said in paragraph 14 of the draft note and the draft Written Answer about costs. I should draw attention particularly to the following points:

- i. I am not sure whether, now that the TSRB recommendations are to be staged, it will be necessary to meet any costs in respect of the judiciary from the Reserve.
- ii. Although the Secretary of State for Social Services' promise that the health authorities will find efficiency savings of £54 million still stands, I am not sure how much should be about this in the draft Written Answer.

SECRET AND PERSONAL

iii. I have made the assumption that a reference to the possibility of increasing the NHS contribution should be made tentatively in the draft note but not at all in the draft Written Answer. The Treasury and DHSS will need to consider whether this is right.

iv. Hitherto there has been an embargo on consultation by the Treasury and DHSS with those concerned with finance in the other health departments. This consultation should now take place on a strict "need to know" basis so that the other health Ministers can be briefed by their departments about the cost implications for them before the Cabinet discussion on 7 June.

v. I am not sure how much the DHSS will want the draft Written Answer to say about improved productivity and whether, since the NRB and DDRB are being treated differently, the same should be said in both contexts.

I am sending copies of this letter and the attachment to Ken Stowe, Clive Whitmore, Derek Oulton and Peter Le Cheminant.

Yours ever

Peter

P L GREGSON

DRAFT

CABINET

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accepted on the basis that staff would cooperate with management in securing improved productivity and that the review bodies would be asked to take this into account in their recommendations about remuneration in future years.

ii. In the case of all the remaining review body reports (DDRB: recommended increase 6.9 per cent; AFPRB: recommended increase 7.6 per cent; and TSRB: recommended increase just under 6.5 per cent) Ministers considered that acceptance of the recommendations in full would have unacceptable repercussions on other outstanding public sector pay negotiations. Outright rejection would however be difficult to justify, and could call in question the continuation of the review body arrangements. The doctors and dentists would be likely to object strongly to significant discrimination against them in favour of the nurses and professions allied to medicine. The Government might also attract strong criticism if it appeared to be abandoning the promise referred to in the 1983 Manifesto "to give proper pay and conditions" to the armed forces. Ministers therefore concluded that the right course would be to stage implementation of the recommendations. The first 3 per cent would be payable from 1 April 1984 and the balance (3.9 per cent for doctors and dentists, 4.6 per cent for the armed forces and just under 3.5 per cent for the top salary groups) from 1 November 1984. This would reduce the effective increase over 12 months to 4.63 per cent for doctors and dentists, 4.92 per cent for the armed forces and 4.46 per cent for the top salary groups.

Costs

14. In the case of the armed forces and top salary groups, the cost of the proposals in paragraph 13 would be met within existing cash limits [with the possible exception of some small part of the excess cost arising in respect of the judiciary]. In the case of the NHS groups the Secretary of State for Social Services and the Chief

Secretary, Treasury have agreed, subject to the concurrence of the other health Ministers, that the health authorities should be asked to find £54 million towards the excess over the existing 3 per cent provision from efficiency savings. The remainder, £[] million, would be charged to the Reserve. The Secretary of State for Social Services and Treasury Ministers will be considering whether there should be an increase in that part of the National Insurance Contribution related to the National Health Service to recover some or all of these increased costs.

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The report on Nursing Staff, Midwives and Health Visitors recommends new rates of pay which will add 7.5 per cent to the estimated pay bill for 1984-85. In the report on Professions allied to Medicine the equivalent figure is 7.8 per cent. Bearing in mind that these are the first reports by the new review body on the pay of these groups, the Government has decided to accept the recommendations in full with effect from 1 April 1984. Health authorities will be expected to find [part of] the cost in excess of the cash limit provision from efficiency savings. The review bodies' recommendations are accepted on the basis that [staff will cooperate with management in achieving improved productivity and that progress will be monitored by health authorities and regularly reported to the review bodies who will be asked to take this factor into account in their recommendations about remuneration in future years].

The reports of the Doctors and Dentists Review Body, the Armed Forces Pay Review Body and the Top Salaries Review Body on the higher civil service, senior armed forces officers and the judiciary recommend increases which would add 6.9 per cent, 7.6 per cent, and just under 6.5 per cent respectively to the estimated 1984-85 pay bills for the groups concerned. Bearing in mind the cost and the general level of settlements elsewhere in the economy, the Government considers that it would not be right to implement the recommendations in full from 1 April 1984. The increase payable from that date for all groups will be 3 per cent and the balance of the increases recommended (3.9 per cent for doctors and dentists, 4.6 per cent for the armed forces, and just under 3.5 per cent for the top salary groups) will be paid from 1 November 1984. Pensions will be based on the salaries actually in payment in accordance with the principle set out in my written answer on 13 April 1984 (OR Col 383). Over the twelve months beginning on 1 April 1984, the average salary increase received by these groups will be: for doctors and dentists 4.63 per cent; for the armed forces 4.92 per cent; and for the higher civil service, senior armed forces officers and the judiciary 4.46 per cent.

[In the case of the armed forces and the top salary groups these costs will be contained within the existing public expenditure provision. In the case of the doctors and dentists other than those in the Family Practitioner Services, health authorities will be expected to find part of the cost in excess of the cash limit provision from efficiency savings. As with the other NHS groups the Government will be seeking cooperation in improved efficiency and the Doctors and

Dentists Review Body will be asked to take account of progress in this area in their recommendations about remuneration in future years].

The pay rates and scales resulting from these decisions will be promulgated as soon as possible.