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Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

The Rt Hon Leon Brittan QC MP  
Secretary of State for the Home Department  
Home Office  
Queen Anne's Gate  
London SW1H 9AT

14 September 1984

A handwritten signature in dark ink, appearing to read 'Leon Brittan'.

POLICE PAY

You wrote to me on 7 September, describing the proposals which the conciliator has made on police pay. I understand these are to be discussed by the Police Negotiating Board on 26 September.

In present circumstances, I would be willing to accept proposals (i) and (ii) in your letter, although they would result in a settlement higher than we envisaged in E(PSP) on 17 July (and one higher than that awarded to most other public service groups). However, I cannot agree to increase the 1984-85 block grant cash limit nor to disregard costs above 5 per cent. The amount involved is, as you say, marginal and should not create difficulties for the local authorities. But to concede it would undermine the line which both Keith Joseph and I have taken on the recent teachers' arbitration award and would also be unhelpful vis-à-vis the local authorities' APT&C negotiations which are still incomplete.

Professor Hunter's remaining two proposals give me considerable difficulty. Taken together they would rule out any change in the existing arrangements for police pay until 1988.

I recognise the importance of avoiding confrontation with the Police Federation over pay in present circumstances, and the risk that, should you reject the conciliator's proposals, the



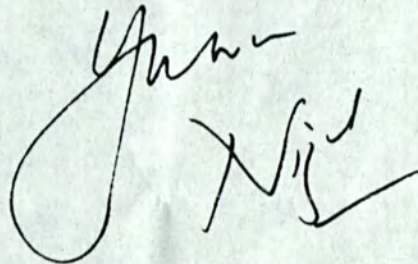
PERSONAL AND CONFIDENTIAL

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Police Federation are likely to exercise their rights of unilateral access to arbitration, with uncertain results. But the saving which the proposals as a whole offer, although welcome, is purely short-term. The problems with the existing formula remain. We have already agreed that officials should examine the alternatives open to us, following the PNB's recent review. I am sure this is the right approach.

I therefore think it might be helpful to have a further discussion of our long-term objectives for police pay, and the way in which these might be reconciled with the handling of this year's negotiations.

Copies of this letter go to the Prime Minister, to the members of E(PSP), the Secretaries of State for Scotland and Northern Ireland and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Nigel Lawson', with a large, stylized initial 'N' and 'L'.

NIGEL LAWSON

PERSONAL AND CONFIDENTIAL



Police

May 79

Pay





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B/F with Chancellor's  
response

AT 12/5

Superseded by minute  
of 19/5

MR TURNBULL

12 September 1984

POLICE PAY

This is an especially sensitive subject this year. The police are coping magnificently with exceptional demands but their pay bill is a major problem for local authorities and their special treatment is causing resentment elsewhere in the public sector.

The review of police pay was set up as an attempt to break from the automatic link to the earnings index. A review within the framework of the Police Negotiating Board now seems unlikely to decouple police pay from the Edmund-Davies formula. Nor is the arbitrator (Professor Wilson, Professor of Law at Southampton University) likely to end the link: his terms of reference will probably keep him within the existing rules and in any case, his (very limited) track record as an arbitrator has favoured the unions.

The review has therefore failed to achieve its main objective, but it can secure useful savings. The package favoured by Leon Brittan offers savings of 2% on the pay bill over 1984 and 1985, compared to what would otherwise be paid according to the present formula. Whereas the present formula would deliver a 5% increase in pay rates this year and perhaps 10% next, the proposed package would deliver

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5.4% this year, and perhaps 7.5% in 1985 . This would save us £30 million in England alone in 1985, on a pay bill of £1.5 billion. But the package commits us to the indexing up to and including 1987, rules out any review until 1988, and denies us the objective we are seeking, namely, an arrangement which gives the police a fair deal but at the same time takes account of what we can afford and the ease of recruitment.

#### Implications for Public Sector Pay

The level of police pay, and the automatic settlement, are becoming increasingly embarrassing to us in other negotiations, notably with the teachers. Keith Joseph has made it very clear to local authorities that there is no more money available to meet the arbitral award of 5.1% for the teachers yet Leon Brittan is proposing more money now and, by implication, as much as local authorities need for police pay over the next 3 years, merely to secure "a possible speedy settlement". Public sector pay will become a real threat to public expenditure control over the next few years. We won't contain it if we are so uneven in our approach.

#### The Options Available

The options facing us therefore are:

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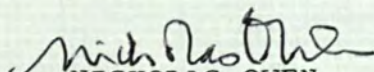


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- (a) Accept the package and provide the financial assurances needed for it, as Leon Brittan suggests.
- (b) Accept the first three elements of the package only. This freezes the unnecessarily high starting salaries for a year and gives us useful savings in 1984 and 1985, but leaves open possibilities to set up an independent review of pay arrangements in 1986.

We favour option (b). We should reinforce the local authorities' negotiating hand by declining to give assurances on additional financing for this year. The sum in question is trivial (the difference between 5.13% on the pay bill and the 5.0% already pledged for police pay, equal to £2 million for England, Wales and Scotland). This would signal the Government's concern about pay costs and dissuade the local authority representatives from committing themselves to having no review until 1988.

The Chancellor will be replying shortly. If, as we expect, he opposes Leon Brittan's proposed line, it would be advisable, in our view, for the Prime Minister to chair a meeting herself, in view of the sensitivity of the subject. E(PSP) is too large and in any case, if, as seems quite possible, the Chancellor is away, Leon Brittan would take the chair. We suggest that Tom King, Keith Joseph and Norman Tebbit be invited to attend the meeting.

  
NICHOLAS OWEN

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B/R with Treasury  
response BT 10/9  
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QUEEN ANNE'S GATE LONDON SW1H 9AT

7 September 1984

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POLICE PAY

Douglas Hurd's letter of 24 August reported further developments in the police pay negotiations. At the meeting of the Police Negotiating Board on 28 August, the Staff Side claimed that, in the light of the information produced by the pay review, the figure of 5% (the final May average earnings index figure) should be adjusted to compensate for the deterioration in police conditions of service since May 1979 compared with those in the economy as a whole, such as increased police pension contributions, no reduction in the working week, inadequate increases in annual leave and the absence of fringe benefits. Since these adjustments would be a matter for negotiation, the Staff Side did not put a specific figure to their claim.

The Official Side's response was they accepted the need for a suitable mechanism for keeping police pay up-to-date, but as the result of the pay review, they believed there should be changes in the way the average earnings index was used to calculate increases in police pay. They proposed a change in the base date for calculating police pay, and the use of the underlying (rather than the actual) index of average earnings which would be compared with average police salaries. Using this revised system, they calculated the increase necessary this year to keep police pay up-to-date was 3.3%. The Official Side also tackled the problem of high starting salaries and proposed that there should be no increase this year on the two bottom points of the Constables' scale and increases of only 1.1% and 2.2% on the third and fourth points of the scale. The result would be an increase of 2.92% on the pay bill. The Staff Side reaction was that the Official Side's offer provided no basis for negotiation and disagreement was therefore registered.

Under the Board's constitution, the next step is conciliation, followed by a reference to arbitration if necessary. The Board's Deputy Chairman, Professor Hunter, had an exploratory meeting with the secretaries of the Official and Staff Sides on 5 September. The outcome was a proposed package, which would involve:

- (i) a general increase of 5.4% for the federated ranks in 1984;
- (ii) no increase in 1984 on the two lowest points on the Constables' scale;
- (iii) a change to the use of the underlying rate of the average earnings index for calculating pay increases in 1985; and
- (iv) a further review after the 1987 settlement.

The net result of (i) and (ii) is an increase of 5.13% on the pay bill. The change to using the underlying index should produce a significantly lower settlement next year than the 10% which Tom King predicted in his letter of 16 July, and would be a major change to the system as the result of the review. We have, of course, been aiming to secure a change of some kind arising from the review, and what is proposed is both practicable and well worth having.

The Rt Hon Nigel Lawson, MP.

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This package was taken away for further consideration by both Sides. I would regard a settlement on these lines as acceptable and I hope my colleagues would agree. However, I do not think the local authorities will be prepared to settle unless we give them the same assurances as they have been given in the past on financing the settlement, i.e. the usual 50% police grant, an increase in the 1984/85 total for relevant expenditure and in the block grant cash limit to cover the excess over 5% and a disregard of the excess when calculating liability to grant abatement. I appreciate that it would be only marginally over the 5% already allowed, but the Chairman of the Official Side made it quite clear to me, when I met him in July, that the local authorities would not have been prepared to settle at over 5% without the guarantees. I do not think we should jeopardise a possible speedy settlement by withholding them, thus putting the whole issue to the risks of arbitration.

Copies of this letter go to the Prime Minister, other members of E(PSP), to George Younger and Jim Prior and to Sir Robert Armstrong.

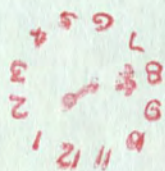
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Police pay

May 79



9 SEP 1981



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CE NO



HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

24th August 1984

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24/8

Dear Nigel,

POLICE PAY

In the light of Barney Hayhoe's letter of 14th August to Leon Brittan, I thought you would like to know where we now stand on police pay.

At the Police Negotiating Board meeting on 17th August, the Official Side firmly resisted the temptation to reach a quick settlement at 4.8% at the price of burying the pay review. Negotiations were complicated by the knowledge that a strong party on the Staff Side were disposed to seize on any excuse for walking out and considerable effort was needed to keep the negotiations going. The sticking point for the Police Federation was the date on which any changes arising from the pay review should take effect: they wanted the results of the review swept up in this year's settlement, while the Official Side wished to take the results of the review into account in negotiating the 1985 settlement. Finally, to avoid registering formal disagreement, and so precipitating a walk-out with its unwelcome publicity, the Official Side agreed to discuss the pay review in the context of the 1984 settlement.

In view of this, the Police Federation withdrew the claim for an increase of 4.8% which had been tabled at the previous meeting, together with the resolution which would have had the effect of endorsing the continued application of the Edmund-Davies formula and burying the salary aspects of the pay review. A new claim will be tabled at the next meeting on 28th August, when the negotiations will begin again with a clean slate.

We do not yet know what the Staff Side's new claim is likely to be and the Official Side are not meeting to consider their response until 28th August. The response seems likely, however, to include the following elements:-

- a. the use of the underlying index of movements in average earnings, rather than the actual index, for determining the annual settlement. This would eliminate freak monthly figures and would be likely to produce a significantly lower settlement next year;
- b. a revision of the base date for assessing pay increases. There are a number of options but the aim will be to produce a lower settlement this year, thus offsetting the effects of switching to the underlying index;
- c. some offset for incremental drift;
- d. lower increases in constables' starting salaries.

/A package on

The Rt. Hon. Nigel Lawson M.P.

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A package on these lines would produce an increase below the 4.8% originally offered.

On the basis of their attitude so far, we have no reason to believe that the local authority representatives on the Official Side would be prepared to negotiate a settlement which we would regard as unacceptable; they seem anxious to derive the maximum benefits from the pay review. The Home Office representatives on the Official Side will, however, reserve the Secretary of State's position if the Official Side seemed disposed to negotiate a settlement which exceeded 4.8% this year or appeared to give insufficient weight to the results of the pay review. A more likely outcome is that agreement will not be reached and that the issue will go to arbitration. (There is a unilateral right of access to arbitration and an arbitration award, which is binding on the two sides, has the status of a recommendation from the PNB to the Secretary of State.)

The positions of the two sides will, of course, be clearer after the meeting on 28th August and Leon Brittan will keep you in touch with further developments.

Copies of this letter go to the Prime Minister, other members of E(PSP), George Younger, Jim Prior and Sir Robert Armstrong.

*Younger,*

*Douglas.*

(DOUGLAS HURD)

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Police: Pay May 79.

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Leon Brittan QC MP  
Secretary of State  
Home Office  
Queen Anne's Gate  
LONDON SW1H 9AT

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*1578*

14 August 1984

*Dear Leon,*

POLICE PAY

Many thanks for your letter of 7 August about the Police Negotiating Board on 24 July and outlining the Official Side's tactics for the next meeting on 17 August. Nigel has asked me to respond.

I realise that the Official Side will have a difficult hand to play at the next meeting; and that your representatives are in a minority on the Official Side. Developments on 17 August may pose a stark choice: quick agreement at 4.8 per cent at the price of abandoning a good opportunity to modify the pay settlement next year and beyond; or some dramatic gesture by the police which would be politically uncomfortable. It seems clear that the figure resulting from the formula next year is almost certain to be artificially high. I hope your representatives will therefore make it clear to the other members of the Official Side that if they opt for a quick settlement this year at the cost of committing themselves to an unadjusted formula for next year, we would not be prepared to agree to increased provision or to disregard, for RSG purposes, to help them out of the resulting financial difficulties in 1985-86.

I am copying this letter to the Prime Minister, other members of E(PSP) and Sir Robert Armstrong.

*Barney Hayhoe*

BARNEY HAYHOE

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QUEEN ANNE'S GATE LONDON SW1H 9AT

7 August 1984

*2 Nigel,*

*NSM  
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POLICE PAY

*copy of minutes attached*

Following the E(PSP) meeting on 17 July, I thought you would wish to know of the developments in the police pay negotiations.

The Police Negotiating Board met on 24 July to consider the pay of the federated ranks and Superintendents. The Police Federation claimed an increase of 4.8% in accordance with the May-May average earnings index. The Official Side said that they were prepared to offer a pay increase of 4.8% with effect from 1 September 1984. The Official Side also said that they would wish to continue discussions on the findings of the pay review. The Police Federation wanted to negotiate immediately on the outcome of the review, but the Official Side said that they would wish to give further consideration to the very detailed findings. After a series of adjournments, during which the Official Side made it clear they would not expect any proposals emerging from the review to be implemented until September 1985, the meeting failed to reach agreement and was adjourned until 17 August.

It is clear that the Police Federation's aim is to dispose of the pay review quickly, in circumstances which they consider to be favourable to them because of the unexpectedly low figure produced by the average earnings index and against the background of the miners' dispute. Their tactics are less clear; they may be trying to get the issue to arbitration (although it is not clear what the issue would be, since the increase claimed has been offered) or, alternatively, to make it public and attempt to negotiate direct with the Government. Failure to agree would also give them an excuse, which they are obviously looking for, not to attend the arbitration hearing on rent allowance which is due to take place on 30 August.

The Official Side tactics at the meeting on 17 August will be to reiterate that 4.8% is on offer, and to try to open discussions on the pay review in such a way that the Police Federation are given neither a concrete proposal on which they can register disagreement and take to arbitration, nor an excuse for walking out. They will open up a number of issues, including starting salaries and the method of applying the average earnings index to police pay, which would pave the way to further discussions and proposals for adjusting the pay settlement next year. But they will also try to conclude an agreement for a 4.8% settlement this year, as we agreed. I am taking steps to ensure that Sir Harold Atcherley, who is the independent Chairman of the Police Negotiating Board, is aware that the Government wishes the pay review to be taken into account in the 1985 and not the 1984 pay settlement.

At a separate meeting on 24 July, agreement was reached with the Superintendents' Association for a 4.8% increase from 1 September 1984. They agreed that discussions on the pay review, which will include the management consultants' report on the job evaluation of the Superintendent ranks, should take place subsequently, with agreed conclusions being implemented from September 1985. In view of the unexpectedly low increase in the earnings index this year, the Official Side agreed to defer until September 1985 the second stage of an agreement made last year to reduce the Superintendents' pay increase by 1% in 1983 and 1984 at most points on their scale, in order to reduce the differential over Chief Inspectors.

I am copying this letter to the Prime Minister, other members of E(PSP) and Sir Robert Armstrong.

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The Rt Hon Nigel Lawson, QC., MP.

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White Paper

28 AUG 1984

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