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FIVE JR/VSC AAD  
CC MASTER

10 DOWNING STREET

*From the Private Secretary*

20 September 1984

POLICE PAY

The Prime Minister held a meeting today to discuss police pay. Present were the Lord President, the Home Secretary, the Secretaries of State for Education and Science, Social Services, Employment, the Chief Secretary, the Chancellor of the Duchy of Lancaster, the Minister of State, DOE, Lord Gray and Mr. Gregson.

The Home Secretary said the official side were meeting on Monday 24 September to consider the line it should take at the meeting of the Police Negotiating Board on Wednesday 26 September. In his letter of 7 September he had set out the terms of the package which the conciliator, Professor Hunter, had proposed. He recommended to colleagues that it be accepted. The Police Federation had already stated publicly that it would accept the proposals and the local authorities would do so if they were given the same assurances about finance as in previous years, ie the usual 50% police grant, an increase in the 1984-5 total for relevant expenditure and in the block grant cash limit to cover the extra pay over 5% and a disregard of the excess when calculating the liability to grant abatement.

He believed that there were a number of advantages to the package. The switch to the use of the underlying rate of the Average Earnings Index would eliminate the risk of settlements based on freak month to month movements and would save 2½ to 3 per cent on next year's settlement without conceding anything extra this year. He believed three years was a reasonable period to elapse before the pay arrangements were next reviewed. With the other parties ready to accept the terms, the Government would be blamed for failure to reach agreement. The next step would be arbitration, though this would be unlikely to produce a package which was significantly better from the Government's point of view. Although the Government had the right to override the arbitration award, he did not believe this should be attempted in the current circumstances.

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The Secretary of State for Education and Science said the assurances sought by the local authorities would conflict with the position he had taken in relation to teachers' pay where he had argued that no extra finance would be made available to improve the arbitration award. The Chief Secretary shared this concern. While he recognised the attractions of the Hunter proposals he also regretted that it would not be possible to look again at the Edmund Davies formula for another three years. He suggested that, in making its response, the Government should reserve the right to review the arrangements earlier in exceptional circumstances.

The Home Secretary said the addition to the block grant cash limit in 1984-5 was very small - about £30,000. Given the arguments over the financing of the costs of policing the coal dispute, it would be unwise to seek new arrangements this year. In order to minimise the repercussions for future years, he could however preface his acceptance of the assurances sought by local authorities with the words "bearing in mind the special circumstances of this year". He did not think it wise to reserve an option to bring forward the next review. If circumstances arose which were truly exceptional, it would be open to the Government to argue for an earlier review at the time, but to refer to this now would merely create suspicion. He would however couch his acceptance in terms of "a further review after 1987" rather than "no review before 1987".

Summing up the discussion, the Prime Minister said the Home Secretary should accept, in the terms he had suggested, the terms of the package proposed by the conciliator and should offer the local authorities the assurances they were seeking about financing in 1984-5.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), Elizabeth Hodgkinson (DES), Callum McCarthy (DTI), Steve Godber (DHSS), David Normington (Department of Employment), John Gieve (Chief Secretary's Office, HM Treasury), Paul Britton (Office of the Minister for Housing and Construction), Mike Bailey (Office of the Minister for Local Government), D. McFadyen (Lord Gray's Office) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

VSCAAP

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QUEEN ANNE'S GATE LONDON SW1H 9AT

19 September 1984

*D. Nigel,*

POLICE PAY

*in meeting folder*

Thank you for your letter of 14 September about the proposals put forward by Professor Hunter as a possible basis for a conciliated settlement on police pay.

I understand that a meeting has now been arranged after Cabinet tomorrow to discuss all this. But I thought it would be helpful to let you have my response.

As you know, the Police Federation have already said publicly that they are prepared to accept these proposals. Although the views of the Official Side of the Police Negotiating Board will not be known until they meet on 26 September, informal soundings indicate that there is a very good chance of a settlement, but only if the local authorities are given the assurances set out in my letter of 7 September over the financing of the settlement and a disregard of the excess over 5 per cent when calculating liability to grant abatement. The amount may be relatively small, but police authorities have already had to make substantial cuts in their budgets to meet the costs of the miners' dispute on which they are currently pressing me hard for further assistance because of the serious effects which it is having and will have next year on policing in their areas.

The Chairman of the Official Side has made it clear that they will not be prepared to negotiate a settlement above 5 per cent on 26 September unless they are given the assurances that they have received in the past. There is no prospect of negotiating a settlement at 5 per cent or less: while the Police Federation are prepared to accept the package prepared by Professor Hunter, they will not accept anything less. Unless we give the Official Side the usual assurances before 26 September, therefore, we shall have lost the prospect of a settlement. The issue will go straightaway to arbitration and both sides will put the blame squarely on the Government for the failure of conciliation. I need hardly emphasize how undesirable for us it would be in present circumstances, when the police are seen as bearing the brunt of the miners' dispute, if after recent headlines that the police were to receive a pay rise of 5 per cent or slightly more, we were to be shown as haggling over 0.13 per cent.

The Official Side at the meeting of the PNB on 17 August, as Douglas Hurd said in his letter to you of 24 August, agreed that the results of the review should be taken into account in this year's settlement, and their conclusions were reflected in the 3.34 per cent increase which they offered on 28 August and which led to the present attempt at conciliation. It is not now open to us, in the middle of the conciliation process, to ask them to go back to square one and seek to take the results of the review into account next year instead. Nor is it reasonable to expect the PNB, having conducted a full-scale pay review this year, to embark on another in less than three years. It is therefore unrealistic to suppose that we could improve, within the PNB machinery, upon the arrangements which Professor Hunter has proposed for the future updating of police pay which, as I indicated in my letter of 14 September, I regard as practicable and worthwhile improvements on the present ones.

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The Rt Hon Nigel Lawson, MP

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The savings which these proposals offer are not purely short-term. The change from the actual index of average earnings to the underlying index as the basis for determining the annual police pay settlement is expected to produce savings of some 3 per cent in next year's settlement. Furthermore, it will achieve them automatically, without the risks of further negotiations. The change will also provide a more realistic basis for settlements in subsequent years and will avoid the risk under the present arrangements of excessively high settlements produced by freak monthly figures.

I am convinced that we should encourage an early settlement on the basis of Professor Hunter's proposals. It is always possible to conceive of something more to aim at; but it is very doubtful whether arbitration would produce anything better; and in the process we should be the subject of extremely unwelcome criticism in the eyes of the public, on grounds where we would seem to have a poor and unpopular case. I am sure that we must give the local authorities the usual financial assurances and I very much hope that you and colleagues will agree to this before 26 September.

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.

*Law,*  
*Law*

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Blue: bay May 7.