

CONFIDENTIAL

Prime Minister

(2)

JC JV



MUS 8/4

QUEEN ANNE'S GATE LONDON SW1H 9AT

8 April 1982

Dear Geoffrey

POLICE PAY

The Official Side of the Police Negotiating Board have been conducting a review of the current method of updating police pay, in order to establish whether there is a case for proposing changes in the Edmund-Davies formula. That review has now been completed and the Official Side have concluded, on the basis of earnings statistics supplied to both sides of the Board by the Office of Manpower Economics, that the police have not, since the full implementation of the Edmund-Davies award, significantly improved their position in relation to other groups of workers. (The figures show that between May 1979 and September 1981, police hourly earnings increased by 36.7%. The comparable increase for the working population as a whole, when adjusted to take account of changes in working hours, was 36.5%.) They have therefore concluded that there are no grounds for proposing a change in present methods of updating police pay.

The figures indicate, however, that superintendents have done rather better out of the Edmund-Davies formula than the other ranks of the police service. Increases in the pay of senior officers (assistant chief constables and above) take account not only of movements in the average earnings index but also of changes elsewhere in the community. This has resulted in the compression of the differential between the pay of assistant chief constables and chief superintendents. The Official Side therefore propose to adjust the balance of the police pay structure by offering the superintendents a lower pay increase this year than they would have received from full indexation.

They also propose to seek to renegotiate the existing method of calculating rent allowance. This is paid to officers who are not given free accommodation and is based on the District Valuer's assessment of the rent which a typical police house would fetch if it were let unfurnished on the open market. The current cost of the existing system is £170 million a year: it has escalated rapidly in the past few years and is likely to continue to do so, especially as more police officers are buying their own homes. The Official Side therefore propose to seek to negotiate the introduction of a new system, based on council house rents, with effect from 1st April 1983. This could produce savings of some £30 million in the first full year and steadily increasing savings thereafter.

/The Official Side

CONFIDENTIAL

The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.

CONFIDENTIAL

The Official Side have also considered police pension contributions. They believe that if police officers were to pay a similar proportion of the value of their pension scheme to that paid by most other public servants their pension contributions would have to rise from the present 7% to about 10%-11%. (This is very much in line with the conclusions of the Official Committee on the Value of Pensions.) They will accordingly seek to negotiate increased contributions.

Although it is impossible to predict with any accuracy what pay increase will be produced this year by the application of the Edmund-Davies formula, current indications are that it is likely to be in the region of 7%-9%. This would cost £60m-£75m in the current year and £100m to £125m in a full year for the police service throughout the United Kingdom. The savings which would be produced by increased pension contributions and a change in the system of determining rent allowance would have the effect of reducing the overall cost, but it is difficult to estimate at this stage how large a reduction can be negotiated. I would propose to give the same assurances to the Official Side as we gave last year about paying the Government's share of the additional cost (over and above the 4% allowed for in the R.S.G. settlement for 1982-83) through police grant and block grant by making any necessary adjustments to the total of relevant expenditure for Rate Support Grant and to the cash limit for block grant. We can also expect the local authority associations to seek indemnification against any penalties for over-spending attributable to these extra police costs.

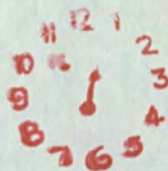
As you know, the Prime Minister recently gave what will be seen as a public commitment to the continuation of the Edmund-Davies arrangements (Hansard 11th March Vol 19 Col 968). I propose therefore to support the line which the Official Side propose to take in this year's police pay negotiations. My officials will of course do all they can to secure reductions in overall costs in the negotiations, though these will not accrue in full until 1983-84. The Official Side will not present their proposals as a package. The position on the main pay formula will be made clear at a meeting of the Police Negotiating Board on 21st April; the Superintendents Association will be put on notice in May about the proposals on their pay; the proposals on rent allowance and pensions will be held back until the end of May. Tactically, I am sure this is right; the Police Federation's annual conference will take place earlier in May and we need to take account of this and of the implications for the selection at the end of the conference of a new Chairman to succeed Mr. Jardine, who is due to retire in the autumn.

Copies of this letter go to George Younger, Jim Prior, Michael Heseltine, Sir Robert Armstrong and Clive Whitmore at No.10.

George Younger
William

CONFIDENTIAL

8 APR 1982





for DSG
bc J.V.
Police

10 DOWNING STREET

From the Private Secretary

13 April 1982

Dear John

POLICE PAY

The Prime Minister has seen a copy of the Home Secretary's letter of 8 April to the Chancellor about police pay.

The Prime Minister is somewhat surprised to see the conclusion of the Official Group that the police have not "significantly improved their position in relation to other groups of workers". She would like to see the report of the officials who conducted this review, so as to establish the basis on which they reached this conclusion.

The Prime Minister would also like confirmation that the matter of increased police pension contributions will form part of the main package of negotiations.

I am sending copies of this letter to John Kerr (HM Treasury), Muir Russell (Scottish Office), Barnaby Shaw (Department of Employment), David Edmonds (Department of the Environment) and David Wright (Cabinet Office).

Yours ever

Mike Paterson

John Halliday, Esq.,
Home Office.

B

To note.

CONFIDENTIAL

Ms 22/4

HOME OFFICE

QUEEN ANNE'S GATE LONDON SW1H 9AT

21 April 1982

*Dee Mike**M*POLICE PAY

In your letter of 13 April to John Halliday, you asked for a copy of the report prepared by a working party set up by the Official Side of the Police Negotiating Board in October 1981 to review police pay. This is enclosed with a note summarising the main conclusions. The working party's recommendations were endorsed by the full Official Side at a meeting on 5 April. The statistical information, which provided the basis for the working party's conclusion that there was no case for proposing any change in the existing method of updating police pay, was prepared by Office of Manpower Economics and has been made available to both sides of the Board.

The report has little to say about police pensions, because the Official Side had already initiated a review of police pension contributions, with the aim of bringing them more into line with the rest of the public sector. Although, as the Home Secretary explained in his letter of 8 April, the Official Side will not be presenting their proposals to the Staff Side as a package, they have every intention of securing a substantial increase in the level of police pension contributions. The arrangements for fixing pension contributions are not the same as those for settling pay. Under the Police Negotiating Board Act 1980, the Secretary of State is obliged to consult the Board about pension matters but they are not arbitrable and the final decision rests entirely with Ministers.

As to the points made in the Chancellor of the Exchequer's letter of 16 April, we accept that the figures quoted by the Home Secretary actually relate to the period between November 1979 and October 1981 (rather than to the period between May 1979 and September 1981) and so exclude the 13.5% September 1979 pay settlement for the police. However, they do include the police pay settlement for the current round (13.2%), while increases in average earnings arising from the current pay round are not similarly reflected, since most settlements take effect after the end of October. The increase in basic police pay over the period has been considerably higher than increases in police earnings. This has been due to the substantial decrease in overtime, as police forces have reached their authorised establishments.

F. R.

In his letter of 19 April, Michael Scholar told us that the Prime Minister wishes to discuss police pay at the meeting she is chairing on 27 April. The Home Secretary will, of course, be able to expand on these points then.

Copies of this letter go to the recipients of copies of yours and to Stephen Boys-Smith (Northern Ireland Office).

Love ever -

Colin Walker

POLICE NEGOTIATING BOARD OFFICIAL SIDE

Report of Working Party on Police Pay

The attached report by the Working Party set up by the Official Side of the Police Negotiating Board in October 1981 to review police pay was endorsed by the full Official Side on 5 April.

2. The report's conclusions are summarised on page 2. These are that -
 - a. there is no case for changing the method recommended by Edmund-Davies for updating police pay;
 - b. the use of the May figure of changes in the index of average earnings during the previous twelve months as the basis for the annual settlement has proved no more expensive than other months, or combinations of months, would have done;
 - c. the earnings of superintendents have risen faster than those of the federated ranks. At the same time, the pay differential between assistant chief constables and chief superintendents has been compressed. The Official Side should therefore seek this year to negotiate a lower pay settlement for superintendents than would be indicated by the average earnings index;
 - d. changes should be sought in the existing system of calculating rent allowance;
 - e. police pensions contributions should be increased, to bring them into line with the contributions paid by other public servants.

3. An explanation of the Working Party's reasons for concluding that there was no case for changing the existing basis for updating police pay is given on pages 5-7. The statistical information prepared by the Office of Manpower Economics, which provided the basis for the Working Party's conclusions, is set out

in Appendix B.

4. The case for offering the superintendents a lower pay settlement this year is discussed in pages 8-9, rent allowance on pages 10-14, and pensions (very briefly) on page 15.

POLICE NEGOTIATING BOARD

OFFICIAL SIDE

REPORT OF 1981/82 WORKING PARTY

41 Belgrave Square
LONDON SW1

MARCH 1982

POLICE NEGOTIATING BOARD

OFFICIAL SIDE

Report of the Working Party on Police Pay

INTRODUCTION

1.1 The working party was set up by the Official Side at their meeting of 27th October 1981, with a view to (a) providing the Official Side of a joint working party of Committees A, B and C to be chaired by Lord Plowden and (b) examining certain issues not covered by the proposed joint working party. In the event the Police Federations unexpectedly declined to participate in the proposed joint working party leaving the Official Side working party to conduct its own examination.

1.2 In the light of this, the working party adopted the following terms of reference :

(1) To examine the following issues and report back with recommendations to the Official Side of the Police Negotiating Board and the appropriate Standing Committees:

- (a) the level of police pay;
 - (b) the method of linking police pay to the earnings index;
 - (c) pay structure;
- and (d) rent allowance and other allowances

(2) To provide machinery for the general co-ordination from an Official Side point of view of the above issues together with the question of the police pension contribution.

1.3 The main conclusions and recommendations of the working party are set out in the next section of the report.

1.4 A list of members and advisers to the working party is attached as Appendix A.

SUMMARY OF MAIN CONCLUSIONS AND RECOMMENDATIONS

2.1 No convincing case can be made out that since Edmund-Davies police earnings - whether on a weekly basis or an hourly basis - have increased faster than in the economy at large, as measured by the Government's earnings statistics.

2.2 The working party recommend against any attempt to reduce the base established by Edmund-Davies on the grounds of the increased value of job security. Such an argument would be immediately countered by Staff Side claims that since Edmund-Davies the police job has become more difficult, and in the working party's judgment the two arguments would cancel each other out.

2.3 The Edmund-Davies indexation principle has been applied by taking the increase in the Government's earnings index over the previous twelve months ending in May. This has in fact turned out less expensive than using other months, or combinations of months. Nevertheless the Official Side should warn the Staff Side that they reserve the right to take into account in any one year obvious temporary distortions to the Government's monthly earnings index.

2.4 The salary structure introduced by Edmund-Davies has been seriously distorted by the inherent contradiction between indexing the salaries of ranks up to chief superintendent while those above that level are negotiated by reference to salary movements for other top public servants. Moreover, the earnings of superintending ranks have risen faster since Edmund-Davies than those of the federated ranks; at the same time chief inspectors' overtime, which was one of Edmund-Davies' major considerations in setting the level of superintendents' salary, has reduced. For all these reasons the working party recommend that the Official Side of Committee B should seek to negotiate lower increases for the superintending ranks this year than those implied by the earnings index, and that the Staff Side should be warned of this intention without delay.

2.5 The existing system of rent allowance leans too far in favour of the owner-occupier and substantial savings in the current annual expenditure of £170 million p.a. should be sought by adopting a system based on average council house rents, plus rates; compensatory grant should continue, and the new allowance like the present one should not be pensionable.

2.6 The working party wholeheartedly support the attempts of the Official Side of Committee E to bring the police pension contribution into line with that of other public servants, taking into account the relative value of different schemes. It is very important that this exercise should produce a result by 1st September 1982.

CURRENT POLICE EARNINGS

3.1 Police earnings are largely made up of three separate components :

- Salaries
- Rent allowance/free housing
- Overtime (payable only up to chief inspector level)

3.2 The main points of the current salary structure are set out below :

Constable	on appointment	£ 5,610	
	after five years	£ 7,326	
	after fifteen years	£ 8,883	
Sergeant	after four years	£ 9,744	
Inspector	after four years	£11,064	
Chief Inspector	after four years	£12,309	
Superintendent	after three years	£16,440	
Chief Superintendent	after three years	£18,003	
Asst. Chief Constable		£19,101	
Dept. Chief Constable	from	£19,602	) according
	to	£22,794	) to popu-
Chief Constable	from	£23,046	) lation of
	to	£28,203	) force area

In addition all ranks in London receive London weighting of £657 and London allowance of £1011. All ranks in the Royal Ulster Constabulary receive an allowance of £777.

3.3 According to OME's survey in October 1981, rent allowances for the federated ranks average £1161 a year. This sum is effectively tax-free, i.e. for a standard rate tax payer would eventually be worth £1659 a year in taxable income.

3.4 Overtime for uniformed constables averages just over 2 hours a week outside London, 4.7 hours in London and 13.5 hours in the Royal Ulster Constabulary.

3.5 According to OME's survey in October 1981, average earnings for those receiving rent allowance were, excluding compensatory grant, as follows :

	<u>England & Wales outside London</u>	<u>Scotland</u>	<u>London</u>	<u>R.U.C.</u>
<u>Uniformed Constables</u>				
weekly	£ 176.43	£181.59	£236.32	£258.15
annually	£ 9204	£9473	£12,328	£13,467
<u>All federated ranks</u>				
weekly	£ 195.54	£196.32	£255.5	£280.07
annually	£ 10,201	£10,241	£13,329	£14,610

Obviously these figures are only averages and many officers will be earning considerably more and others considerably less. For instance, for all federated ranks in England and Wales outside London it is estimated that the distribution of earnings would be :

	<u>approx. earnings* p.a.</u>
10% of officers earn more than	£13,150
25% of officers earn more than	£11,550
25% of officers earn less than	£ 8,550
10% of officers earn less than	£ 7,550

* excluding compensatory grant

REVIEWING THE LEVEL OF POLICE PAY

4.1 An examination of police pay levels (i.e. salary levels) was first proposed by the Official Sides of Committees B and C who, in July of last year, made statements to their respective Staff Sides which included the following :

"The Official Side are sure that Lord Edmund-Davies' Committee of Inquiry in 1978 were right to conclude that, because the police are the only group of civilians without the right to strike and because of their vital position in the community, police pay should be linked, through the Government's earnings index, to the pay of the community as a whole.

"Against that general background, the negotiators have the duty of ensuring that the link with outside pay takes changing circumstances into account.....

"The Official Side accept that, given the exceptional circumstances of the police, there will be a continuing need to link police pay to the national earnings index. With that principle clearly in mind, they propose in the coming months to examine whether there is a case for any changes to the level at which the link is made...."

4.2 On the basis of these statements the working party gave consideration to two separate questions :

(a) Have police salaries and earnings moved at different rates from those in the economy at large since the implementation of the Edmund-Davies' award?

(b) Have circumstances since Edmund-Davies changed sufficiently to justify a change in the real level of police pay established in 1978?

4.3 With reference to the first question the working party studied detailed information relating to changes in total and hourly earnings and salaries of police officers and of other workers (male and female, manual and non-manual, private and public sector).* Data had been obtained from a number of sources, making direct comparisons difficult in some instances. However, after careful examination it was concluded that there was no convincing evidence to suggest that the police had since Edmund-Davies significantly improved their position relative to the rest of the economy taken as a whole.

4.4 In relation to changing circumstances since Edmund-Davies, the working party consider that the notional value of the police officer's job security is higher now than three or four years ago. However, as a counterbalance, it can be argued that the policeman's job has, if anything, become more difficult. Moreover, any attempt to reduce the police pay base on grounds of such changes could evoke a highly emotive reaction among both police and public.

* This information is summarised in Appendix B

4.5 In 1979 the Official Side accepted the level of pay recommended by Edmund-Davies and are publicly committed to continuing the principle of indexation. On this basis the working party have concluded that there are presently insufficient grounds to sustain any attempt to reduce the current salary base and they recommend accordingly.

REVIEWING THE METHOD OF INDEXATION

5.1 An examination of the method of indexation was proposed by the Official Sides of Committees B and C, who wished to establish whether there was a case for making changes. The procedure adopted up to now in determining police salary increases post Edmund-Davies has been to apply the percentage increase in the Government's index for May over the figure for the previous May. Given the Official Side's public commitment to continuation of principle of indexation the working party has limited its examination to :

- (a) Whether the link should be between police earnings and national earnings.
- (b) Whether the link should be based on, the average of three months' annual earnings increases rather than one month as at present.
- (c) How, and whether, to take account of the effects of increasing or decreasing amounts of overtime on the national index.

5.2 After careful consideration of the available data the working party has concluded :

- (a) Total police earnings have, over recent years, increased more slowly than police salaries. Thus, while the practice of comparing police salaries with outside earnings remains objectionable in principle a comparison of earnings would at the present time lead to even higher increases.
- (b) There is no evidence to suggest that the present procedure for assessing the annual increases has in practice led to avoidable distortions.
- (c) Hours worked in the economy as a whole have decreased while hourly earnings have increased. Thus, whilst it is possible, in rough terms, to adjust the earnings index to reflect changes in working hours, this would not be of benefit to the Official Side.

Figures in support of the assertions in (b) and (c) above are shown in Appendix C and Appendix B respectively.

5.3 It is, therefore, recommended that no proposals for changing the method of indexation be put forward at the present time. However, the appropriate Staff Sides should be made aware that the issue will be kept under review and that the Official Side reserve the right to make adjustments to published figures which demonstrably contain temporary distortions.

REVIEWING PAY STRUCTURE

- 6.1 Edmund-Davies recommended that the salaries of all ranks up to and including chief superintendent should be linked to the earnings index, but that salaries above chief superintendent should be determined by reference to two (in practice, conflicting) factors: namely the increases received by the lower ranks and the increases received by senior management outside the service. Since Edmund-Davies was fully implemented this has led to different percentage increases at different levels in the service. (For example, overall increases for federated and superintending ranks have been 56%; those for the most highly paid chief constables have been 37.5%).
- 6.2 The resultant compression at the top of the salary structure and in particular the narrowing of the already small differential between chief superintendents and assistant chief constables has been a matter of increasing concern to the Official Sides of Committees A and B. They therefore made clear to the Staff Sides during the 1981 negotiations that the situation necessitated a review of pay structure which was subsequently undertaken by the working party.
- 6.3 The working party have assumed continuation of the existing rank structure and of the pay base established by Edmund Davies (paragraph 4.4 of this report refers). They therefore limited their examination to the following issues :
- (a) The validity of the Edmund-Davies recommendation that each year all ranks up to and including chief superintendent should receive the same percentage salary increase.
 - (b) Given that the above recommendation had given rise to distortions in the overall police salary structure, the desirability/feasibility of implementing an alternative approach.
- 6.4 The working party studied available figures showing movements in earnings at different pay levels of the economy. It was apparent that earnings increases in the economy as a whole varied quite widely according to the position in the league table, implying that across the board indexation of the police service up to and including chief superintendent will not always be appropriate. It was noted, however, that between 1979 and 1981 the earnings of the higher paid increased faster in percentage terms than the lower paid.
- 6.5 While accepting that there was no evidence to suggest that superintending ranks had benefitted from pay increases in excess of those in the economy as a whole at that pay level, members nevertheless felt they should consider means of reducing the distortions to the salary structure caused by higher increases awarded to ranks up to chief superintendent compared with those for the chief officer ranks. They therefore considered the effects on salaries of restoring the internal relativities implicit in Edmund-Davies. The effects of different approaches are set out in Appendix D.
- 6.6 The working party felt that the case for narrowing the differential between chief inspectors and superintendents was also supported by the consideration that chief inspectors' overtime has reduced since before Edmund-Davies. This reflects the faster rise in the earnings of superintending ranks as opposed to those of federated ranks, according to OME's surveys in 1979 and 1981.
- 6.7 The earnings surveys show a reduction in the average weekly overtime hours worked by chief inspectors in Great Britain of 2.28 as between May 1977* and October 1981 - on the maximum of the chief inspectors' salary scale this would be worth £870 a year. A reduction in the superintendents minimum

* The figures for May 1977 were those on which Edmund-Davies based his judgments.

salary point of this order would still leave a differential of over £2000 a year between the chief inspectors' scale and the minimum of the superintendents' scale, and superintendents' average earnings would still comfortably outstrip the average earnings of chief inspectors, except in the RUC where chief inspectors are paid for long periods of overtime.

6.8 Between the 1979 and 1981 earnings surveys, increases were higher for the superintending ranks than for the federated ranks as follows :-

Increase between November 1979 and October 1981 in average earnings

	<u>All federated ranks</u>	<u>All superintending ranks</u>
<u>U.K.</u>	+ 33.7%	+ 37%
<u>England & Wales outside London</u>	+ 34.1%	+ 36.3%

6.9 On the basis of the considerations in paragraphs 6.7 and 6.8 together with the compression of differentials between chief superintendent and assistant chief constable*, the working party recommend that the Official Side of Committee B seek to negotiate a lower percentage increase for the superintending ranks this year than that for chief inspectors, and furthermore that the Staff Side be warned of this intention without delay.

6.10 The working party believe that such an adjustment to the Edmund-Davies base for superintendents' salaries is justified by events since Edmund-Davies, and therefore comes within the terms of the last paragraph of his report which states :

"... either side of the new negotiating body should be able to propose variations to the updating process in the light of changes either in the police service or in pay movements in the economy as a whole."

*The Edmund-Davies differential for ACCs was 8.2% as opposed to 6.1% now.

RENT ALLOWANCE

7.1 The working party have undertaken a full-scale review of the rent allowance system at the request of the Official Side of Committee D. Their first step was to study the operation of the present system and assess its advantages and disadvantages.

7.2 The total amount spent in the U.K. on police rent allowance and the associated compensatory grant* is estimated to be around £167.5 m p.a, a sum which will increase markedly from 1.4.82 when many forces review their maximum allowances. Rent allowance and compensatory grant constitutes roughly 11% of the total earnings bill for the police service and 6.85% of the total net cost of the service. Details of how the system operates in practice are shown in Appendix E.

7.3 Over the last two decades there has been a continuous growth of owner-occupation in the police service. Over three out of every four officers now receive a rent allowance, and most of those are owner-occupiers. During the same period average rent allowances have risen faster than either police salaries or housing costs generally: between 1960 and 1981, average rent allowances for constables rose by 979%, whereas the constables' starting salary went up by 835% and the housing element of the Retail Prices Index by 677%. Over the last three or four years salaries have risen faster than rent allowances, because of the effects of Edmund-Davies.

7.4 Rent allowance was introduced at a time when most police officers were provided with free housing and those who were not, rented rather than owned their accommodation. The statutory provision of free housing goes back at least to the time of Lord Desborough's inquiry into police pay in 1919 and was justified by the need for police officers to live within a short distance of their place of duty and in housing considered by management to be suitable accommodation for a police officer. Where enough free houses were not available and officers had to rent private accommodation, the rent allowance was designed to put them in the same financial position as those provided with free housing.

7.5 The working party considered that, while the theory of putting tenants and owner occupiers in broadly the same financial position as those in provided housing was defensible in principle, there were a number of major objections to the present system:

(i) The owner-occupier is in fact in a far better financial position than the officer in provided housing because he subsidised in acquiring a major capital asset for his retirement.

(ii) While the allowance may not match up to an owner-occupier's outgoings initially, the fact that it keeps up with inflation while mortgage outgoings largely stay still means that the allowance eventually outstrips the mortgage outgoings, with the result that by the end of his career an officer's rent allowance and tax reimbursement will comfortably exceed what he is paying by way of mortgage, in many cases.

(iii) The valuation of the typical house is based on the market for private rented accommodation. In recent years this has been a rapidly dwindling market with the result that valuations may easily be unrepresentative and artificially high. It may well be the case that at a time when house prices are steady or diminishing, private rents are not similarly affected.

*reimbursement of tax paid on rent allowance received

(iv) The force maximum limit is set by a purpose-built house which is generally of the better class of provided housing, rather than strictly speaking "typical".

(v) No account is taken of the 'loss of amenity' experienced by those in provided housing, principally in the form that their accommodation is often sited in positions (e.g. as part of police stations) or areas (e.g. on council estates) where those not in provided housing would probably not choose to live, and that the accommodation is not their own.

7.6 In the light of these objections the working party has considered the following possible alternatives to the present system:

(i) straightforward consolidation - i.e. rent allowance ceases in return for a corresponding increase in pensionable pay.

(ii) a modified version of the existing system along the lines proposed in 1978 by the Official Side to Edmund-Davies.

and (iii) basing payments on housing costs outside the police service e.g.:

(a) council house rents ;

(b) house prices;

or (c) charges paid by Armed Forces personnel for married and single quarters.

A brief note on each option is attached as Appendix F.

7.7 Of the alternatives considered the working party favoured basing rent allowances on the charges paid out of taxed income by Armed Forces personnel for married quarters. These charges are based on average local authority rents and rates for houses of similar average age and size, abated by about a third to reflect the relative absence of security of long-term tenure of those in married quarters. In addition, the charges take account of the hire of furniture and equipment (a factor which would presumably not apply to the police) and of the extent to which maintenance and decoration standards exceed "normal" local authority practice. All these elements are assessed annually by the Armed Forces Review Body who then recommend charges for each type of quarter to take effect from 1st April each year. The information on which this assessment is made relates to the year beforehand, e.g. the charges effective for the year from 1st April 1981 are based on information about local authority rents and rates in 1980/81.

7.8 On the face of it, the two systems are entirely dissimilar: with the police, housing is provided free in addition to salary under statutory Regulations or a rent allowance is paid instead; with the armed services, housing is paid for out of the individual's salary.

7.9 On closer examination, the armed forces arrangements are significant for the police, because the stated purpose of rent allowance has always been to "put the officer not in provided accommodation in broadly the same financial position as the officer who is in provided accommodation." The problems of devising a satisfactory rent allowance system have always lain in the difficulty of putting a cash figure on the value of provided housing. That difficulty appears to be overcome when one considers that the armed forces (who have three times as many personnel in provided housing as do the police) do indeed put a cash figure on

the value of provided housing, which with suitable adaptations could be used as a basis for the police. Put another way, if the police, like the armed forces, had to pay for provided housing the likely basis would be average local authority rents plus rates, rather than anything based on house prices or free market rents.

A new approach to rent allowance, based on average local authority rents

7.10 The working party recommend adoption of a new system, under which those currently receiving a maximum limit rent allowance would receive a non-pensionable allowance based on :

(a) the average local authority rent (before rent rebates) for three bedroomed council houses built since the last war ;

(b) local authority and water rates;

and (c) continuation of compensatory grant to cover income tax that would be payable if (a) and (b) were being paid by the individual out of taxed income. [At first sight this element may seem paradoxical. But the officer in provided housing does not pay rent, rates or taxes on the value of that house, and the basic assumption underlying the proposal is that the value of a police provided house is broadly equivalent to the charge paid out of taxed income for a similar house by a member of the armed forces.]

7.11 If the above general approach were to be accepted four major questions would need to be decided, and a series of less central ones. The major points are :

(a) should there be an abatement, as with the armed forces, to average local authority rents to reflect relative absence of security of tenure - i.e. that a police officer cannot live in his retirement in a police house?

(b) should the allowances be fixed every year, as with the armed forces, or every two years as currently with the police?

(c) should the allowances, as with the armed forces, be based on data which is nearly a year out of date?

(d) should the allowances be based nationally, regionally or by force?

7.12 An abatement to reflect absence of long term tenure could not simply be calculated. Whereas the armed forces' charges appear from the published figures to abate average local authority rents by about a third, the Staff Side could argue that the police officer in provided housing has in fact got relatively greater security of tenure than his armed forces' counterpart. Moreover, the standard of police provided housing may on average be better than that of council housing - but that factor is partly taken into account if the local authority rent comparison is to be drawn from 3 bedroom houses built since the last war. Taking all these points into consideration the working party consider an abatement of around a fifth to be in order.

7.13 New arrangements based on average council house rents would be dependent on figures provided by CIPFA, whose statistics on average council rents are published each February relating to the end of the previous April. While in theory it would be possible to add to those figures the Government's projected average change in council rents for the ensuing year, such projections are not always borne out by events. It therefore seems preferable to put to the Staff Side a trade-off between (a) using rent figures which are nearly a year old and (b) moving from the present biennial review to an annual one (preferably 1st April for all forces to coincide with the beginning of the financial year).

7.14 For the reasons developed in Appendix G, the working party consider that the rental element in the new allowance should be a national figure, with separate calculation for London, but that the rates element should vary according to the level of local rates.

7.15 If the above proposals were to be agreed with the Staff Side it is estimated that the following average allowances would result :

<u>Present arrangements (as at November 1981; would increase markedly for 1982/3)</u>	<u>£ per week</u>	
(1) Average rent allowance for all federated ranks in England and Wales (Source: OME Survey)	22.43	
(2) Compensatory grant payable on 1 at end of financial year (assume 35%)	<u>7.85</u>	
	<u>30.28</u>	
<u>Proposed arrangements (would be effective during 1982/3)</u>	<u>No abatement to 1.</u>	<u>20% abatement to 1.</u>
(1) Average unrebated local authority rent for 3 bedroom post war houses in England and Wales - 1981/2 figures (Source: CIPFA)	12.39	9.91
(2) Average domestic and water rates 1981/2 (CIPFA figures show the average domestic rates payable for all dwellings to be £4.46 a week; this has been rounded up to £5 on the assumption that the average for 3 bedroom houses will be somewhat higher).	6.16	6.16
(3) Compensatory grant payable on 1 and 2 at end of financial year (assume 35%)	<u>6.49</u>	<u>5.62</u>
	<u>25.04</u>	<u>21.69</u>

7.16 On the basis that the current rent allowance bill is around £167 m a year the proposal would eventually lead to annual savings of around £29m (around £47m if there were an abatement to average local authority rents of 20%). In fact it is not presently possible to be so precise as that for three reasons: (a) the figure quoted for average rent allowance includes those receiving flat rate rent allowances who would not necessarily receive the full allowance under new arrangements; (b) the average rates on police houses may be higher than those allowed for; and (c) the figures do not take account either of the big increase that will come about in most forces from 1st April 1982 under the present arrangements, or the effects of having adjustments annually under the proposed arrangements instead of every two years as at present. The combined effects of these unknown quantities may well be such that the figures in the previous paragraph underestimate the potential savings.

7.17 The working party were aware that local authority rents tend to move unevenly: for instance last year's increase averaged over 40%. There is therefore a possibility that local authority rents will increase in real terms, i.e. faster than the general level of inflation. Nevertheless the available figures (Appendix H) show that average council rents during 1981/82 were at their highest level in real terms for fifteen years. If council rents are to be adopted as the new criterion for rent allowances the Official Side can be reasonably confident that if they are not at the peak of the cycle they should be close to it.

7.18 On the above basis the working party recommend the adoption of the following scheme to be put to the Staff Side of Committee D on 21st April 1982:

(1) Each 1st April rent allowances to be calculated for federated ranks as follows :

(a) national rental element to be based on latest CIPFA figures for unrebated rent for local authority tenants of 3 bedroomed post-war council houses, abated by 20%.

(b) domestic and water rates (the precise method by which this element would be calculated is under consideration with financial advisers).

(c) compensatory grant on (1) and (2).

(2) Separate calculation for London.

(3) Review of present arrangements for flat rate allowances and those for ranks above chief inspector, the status quo prevailing in the meantime.

(4) Implementation date 1.4.83, with those receiving higher allowances at that date marking time.

7.19 In making these recommendations the working party appreciate the likelihood that they will evoke a very strong reaction from the Staff Side who see Edmund-Davies as having endorsed the present system. Whilst it is true that Edmund-Davies did not accept the Official Side's 1978 proposals on rent allowance and thought the present system "manifestly fair", the key sentence on this subject in his report was in paragraph 248:

"The purpose of rent allowance was, and has remained, that an officer who provides his own accommodation should be put in broadly the same position as one who is provided with free accommodation".

The working party have taken that proposition as their starting point, and through the analysis summarised in paragraph 7.5 have concluded that the present system is manifestly unfair to those in provided accommodation. They have gone on to make the case for putting a cash figure on the value of provided housing, so that an allowance instead of free housing can be genuinely derived.

PENSIONS

8.1 The working party noted that the Official Side of Committee E had initiated a review of police pension contributions with a view to putting them on a basis more consistent with the rest of the public sector. As a first stage of that review the various officials have been given the task of identifying and examining facts relating to police pensions. The next meeting of Committee E is to be held in May 1982, and the Official Side's intention is to commence substantive discussions at that meeting.

8.2 If the police are to pay a similar proportion of the value of their pension scheme to that paid by most other public servants, present indications are that their pension contribution would rise from the present 7% to at least 10% or 11%. If this can be achieved it will obviously mitigate considerably the effect of future salary increases, and the working party whole-heartedly endorse the approach of the Official Side of Committee E, which ideally should lead to a result in time for the next pay increase due on 1st September 1982.

OTHER ALLOWANCES

9.1 The working party received a register of all the allowances payable to police officers other than rent allowance. While there are several such allowances the working party have concentrated their attention on rent allowance which constitutes the great bulk of expenditure on allowances (nearly 90% in one force).

9.2 The register of allowances and the working party's comments thereon will be made available to the Official Side of Committee D for future reference.

41 Belgrave Square
LONDON, SW1.

MARCH 1982

APPENDIX A

POLICE NEGOTIATING BOARD
OFFICIAL SIDE WORKING PARTY
LIST OF MEMBERS AND ADVISERS

Association of County Councils

Mr. H.Purcell (Chairman)
Mr. R.G.Owen
Dr. S.J.Cox
Mrs. N.M.Clegg

Advisers

Mr. J.E.Barton
Mr. R.W.Gash
Mr. G.S.Pollard

Association of Metropolitan Authorities

Cllr G.H.Moores
Cllr R.Darrington
Cllr E.T.Shore

Association Secretariats

Mr. C.J.Berry
Mr. D.C.Stazicker

Convention of Scottish Local Authorities

Cllr J. Jennings

Working Party Secretariat

Mr. C.C.Nolda
Mrs. C.Laney

Northern Ireland Police Authority

Mr. W.Mc C. Taylor

Home Office

Miss J.M.Goose
Mr. R.C.Yeates

Changes since Edmund-Davies in earnings and salaries of
police officers and of other workers

STATISTICAL DATA

1. The available information is as follows :

(i) changes in police salaries can be calculated by reference to the annual police pay awards.

(ii) figures on total police earnings and hours come from two sources - the Office of Manpower Economics earnings surveys of November 1979 and October 1981; and the Department of Employment's New Earnings Survey (NES) relating to April of each year and published in the following October. The OME surveys of police earnings are comprehensive and based on relatively large samples; they are reliable indicators of police earnings, subject to debate on the representativeness of the chosen pay periods in respect of overtime. The NES surveys 1% of the entire employed population and produces both summary results (e.g. for all adult males) and results broken down by occupation, industry, age, negotiating group and region. The full results run to six volumes. But there has always been some doubt within the Secretariat as to the representativeness and accuracy of the NES' figures on police for two reasons: firstly, the survey month of April is the month in which compensatory grant is paid for the whole of the preceding year and it is always possible that although the survey should not include back pay some returns include all of it, others include only a twelfth of it, and others none at all; the second area of doubt surrounds whether returns put in a figure for the value of provided housing - they are not meant to, but some may do so.

(iii) figures on outside earnings come from the annual NES described above and from the monthly index of average earnings, which simply measures monthly changes in average earnings. This index is also broken down into separate industries. Figures on outside hours related to earnings are available only through the NES.

(iv) changes in manual workers' basic wages can be measured through the monthly wage rate index. This formed the basis of the police pay formula recommended by the 1960 Royal Commission on the Police, but it has long been accepted that the wage rate index moves at a different speed (usually more slowly) from the earnings index. The wage rate index relates only to manual workers (mainly in manufacturing industry), and takes no account of overtime, incremental payments, bonus or "drift" (the process by which jobs progressively become regraded).

2. Edmund-Davies was not fully implemented until May 1979 and therefore the effects did not show up in the NES until 1980. This means that the NES police figures can only be used for post Edmund-Davies comparisons for 1980 and 1981. Although Edmund-Davies was not fully implemented until May 1979, the full recommendations were considered valid for September 1978 by the Committee of Inquiry. This means that any comparison of changes in police salaries with outside earnings since Edmund-Davies should really be based on September 1978 rather than May 1979.

3. Table I below compares changes in police salaries with those in average earnings and wage rates.

Table I

<u>Percentage increases in</u>	Sept '78 - Sept '81	May '79 - Sept '81
1. Police salaries	55.8	55.8
2. Earnings index	57.6	45.6
3. Earnings index adjusted for changes in hours	62.9*	50.9 ⁺
4. Wage rate index (hourly)	47.3	34.8

* i.e. adjusted for changes in average hours for adult males as at April 1978 and April 1981

+ i.e. adjusted for changes in average hours for adult males as at April 1979 and April 1981

As can be seen police salaries since the valid date of Edmund-Davies have not outstripped average earnings. Before the next police pay rise, of course, the increase in the earnings index will be that much greater than the figures shown for up to September 1981. This illustrates the Staff Side point that the indexation arrangements are of a catching-up nature.

4. Table II below is based on the two OME surveys of police earnings in November 1979 and October 1981, compared with changes over the same period in average earnings and manual wage rates.

TABLE II
Percentage increases
November 1979 - October 1981

	<u>UK</u>	<u>London</u>	<u>E & W excl. London</u>
1. Police weekly earnings excl. rent allowance			
1.1 Uniformed constables	35.1	30.4	34.8
1.2 All federated ranks	33.7	30.0	34.1
1.3 Uniformed chief superintendents	36.2	36.6	36.5

		<u>UK</u>	<u>London</u>	<u>E & W excl. London</u>
2.	Police weekly earnings for rent allowance recipients			
2.1	)	34.9	29.8	34.8
2.2	) as above	33.4	27.8	33.7
2.3	)	36.0	37.2	36.5
3.	Police hourly earnings excl. rent allowance			
3.1	) as 1.1 & 1.2	37.5	36.1	36.9
3.2	)	36.9	35.7	36.9
4.	Police hourly earnings for rent allowance recipients			
4.1	) as 1.1 & 1.2	37.5	35.7	36.8
4.2	)	36.7	35.6	36.2
5.	POLICE SALARIES (1.9.79 - 1.9.81)		<u>UK</u> 37.3	
6.	EARNINGS INDEX		31.7	
7.	EARNINGS INDEX ADJUSTED FOR CHANGES IN AV HRS*		36.5	
8.	WAGE RATE INDEX	Weekly	22.6	
		Hourly	22.9	

* i.e. adjusted for changes in average hours for adult males as at April 1979 and April 1981.

This shows that police average earnings rose faster over that period than average earnings in the economy (police: + 33.4%; outside: + 31.7%). This is attributable to the fact that the police earnings surveys were conducted in November/October rather than May which is the month used for determining the annual increase. Other points of note are:

(i) the increase in police hourly earnings (+36.7%) was about the same as that shown by the increase in the earnings index crudely adjusted for changes in hours (+ 36.5%).

(ii) police earnings rose more slowly than police salaries, for two reasons - overtime reductions particularly in London, and rent allowance going up slightly less fast than other components of earnings.

(iii) chief superintendents' earnings rose faster than those of constables whose earnings in turn rose faster than those of their other colleagues in the federated ranks.

6. Table III below is based entirely on NES data for April 1980 and April 1981.

TABLE III
Percentage Increases
April 1980 - April 1981

1. Federated ranks average weekly earnings	11.2	
2. Federated ranks average hourly earnings	18.7	
3. Federated ranks weekly earnings: highest decile	6.0	
4. Federated ranks weekly earnings: lowest decile	14.4	
5. Male Non-manual average weekly earnings	15.4	
6. Male Non-manual average hourly earnings	16.2	
7. Male Non-manual weekly earnings: highest decile	15.5	
8. Male Non-manual weekly earnings: lowest decile	13.9	
9. Male manual average weekly earnings	9.1	
10. Male manual average hourly earnings	12.0	
11. Male manual weekly earnings: highest decile	9.8	
12. Male manual weekly earnings: lowest decile	13.9	
13. All male average weekly earnings	12.9	<u>Private Sector only</u>
14. All male average hourly earnings	15.2	11.1
15. All male weekly earnings: highest decile	15.8	not available
16. All male weekly earnings: lowest decile	11.0	14.1
		11.4
17. Police Salaries (1.9.79 - 1.9.80)	21.3	
18. Wage rate index	10.9	

In the period shown police salaries increased by 21.3% (September 1980 award) but the NES figures show average weekly earnings of federated ranks having gone up by only 11.2%. The most obvious explanation is that the 1980 police sample must have worked considerably longer hours than the 1981 sample. This is borne out by the average police hourly earnings having risen, accordingly to the NES, much faster - by 18.7%. However the OME police surveys show relatively little movement in average overtime hours between November 1979 and October 1981, admittedly a small reduction but nothing dramatic.

7. Finally Table IV compares movements in the economy as a whole between April 1979 and April 1981 compared with police salary increases in September 1979 and 1980.

TABLE IV
Percentage Increases
April 1979 - April 1981

	Average Earnings			Gross Weekly Earnings	
	gross weekly	Weekly w/out o/time	gross hourly	highest decile	lowest decile
Non-manual males	44.2	45.3	45.2	46.9	39.3
All males	38.6	42.2	43.0	44.0	33.9
Non-manual females	46.5	46.6	46.9	38.8	38.8
All females	45.1	45.4	45.7	53.2	37.7
Public sector all males	43.7	not available		48.2	40.0
Private sector all males	34.7	- do -		39.2	32.1

Earnings Index (seasonally adjusted): +38.2%

Police salary increases over some period (discounting May 1979): 37.7% at all points of the scale.

This table clearly illustrates the effects of "Clegg" in that public sector rises April 1979 - April 1981 clearly outstripped those of the private sector. (Taking different years, for instance April 1976 - April 1978, the same pattern would not emerge).

POLICE NEGOTIATING BOARD

OFFICIAL SIDE : WORKING PARTY

Procedure for assessing annual increases in
police salaries

1. The procedure adopted up to now in determining police salary increases post-Edmund-Davies has been to apply the percentage increase in the Earnings Index for May over the figure for the previous May. The significance of May is that it is the last month for which final figures are available before the operative date of 1st September.

2. It has been suggested in the past that to rely solely on one month's figures runs too much risk of getting a freak result - e.g. through a large amount of backpay distorting that month's figures. Accordingly the following table compares different bases of calculation.

Earnings Index Increases 1978 - 1981

May	April	June	Average of March/April/May	Average of April/May/June	September
55.8%	56.7%	54.5%	56.9%	55.7%	57.6%

This table tends to show that in practice the choice of May (given that June's figures are not available until after the settlement date of 1st September) has not had a distorting effect on the results.

Restoration of Internal Relativities Implicit in Edmund-DaviesAlternative Approaches

	Present Salary £	<u>Alternative</u>			
		1. £	2. £	3. £	4. £
Constable, max	8883	8883	8883	8883	8883
Sergeant, max	9744	9709	9596	9744	9744
Inspector, max	11064	10987	10697	11064	11064
Ch. Inspector, max	12309	12189	11734	12309	12309
Superintendent, max	16440	16171	15167	16222	15601
Ch. Superintendent, max	18003	17673	16463	17698	16543
A.C.C.	19001	19001	17694	19001	18024

Alternative

1. Edmund-Davies relativities restored for officers on salary points between constable maximum and ACC.
2. Edmund-Davies relativities restored for officers on salary points between constable maximum and middle range chief constable.
3. Edmund-Davies relativities restored for officers on salary points between chief inspector maximum and ACC.
4. Edmund-Davies relativities restored for officers on salary points between chief inspector maximum and middle range chief constable.

HOW THE RENT ALLOWANCE SYSTEM WORKS

1. Every police officer receives a rent allowance or is provided with housing free of rent, rates and taxes. Those receiving rent allowance (77% of the total) are paid either :

(a) a maximum limit allowance. This is paid to 79% of those receiving rent allowance and is based on the free market rental valuation plus rates of the officer's house, subject to a ceiling set for that particular force by the force maximum limit (see paragraph 2 below).

(b) a flat rate allowance. This is paid to 21% of those receiving rent allowance and is equivalent to half the force maximum limit. Those qualifying for the flat rate allowance are broadly speaking single officers under 30 and with less than five years' service and officers married to other officers (each partner receives a flat rate allowance).

2. Each force has its own force maximum limit which for the federated ranks is determined by reference to a police house agreed by the police authority and the staff associations to be typical of the force's stock of provided housing. The force maximum limit, which is reviewed every two years, is the total of :

(a) the District Valuer's assessment of the house's rental value on the open market if it were let unfurnished.

and (b) the rates payable on the house.

The force maximum limit for the superintending ranks is 16% higher than that for the federated ranks, the assistant and deputy chief constables have a further differential of 16%, and the chief constable a further differential of 16%. Thus the chief constable's force maximum is 56% higher than that for the federated ranks in the same force.

3. Rent allowance is not pensionable, nor is it taken into account in calculating overtime payment.

ALTERNATIVES TO THE PRESENT RENT ALLOWANCE SYSTEM

1. Realistic alternatives to the present system fall into three groups:
 - (i) straightforward consolidation - i.e. rent allowance ceases in return for a corresponding increase in pensionable pay.
 - (ii) a modified version of the existing system along the lines proposed in 1978 by the Official Side to Edmund-Davies (see paragraph 5.5 above).
 and (iii) basing payments on housing costs outside the police service, e.g.:
 - (a) council house rents;
 - (b) house prices;
 - or (c) charges paid by Armed Forces personnel for married and single quarters.

2. Consolidation If one discontinues rent allowance and adds an equivalent sum to the salary bill, considerable additional expenditure arises through increases to the pensions and overtime bills. Such an approach would only be worth contemplating if one could be confident that over a sustained period the rent allowance would increase substantially faster than salaries. Given the Edmund-Davies pay formula and the current doldrums in the housing market, it appears that now would not be a good time to consolidate rent allowance on the basis of the average currently received*. If the Official Side proposed to discontinue the allowance in return for a smaller increase in pensionable pay, they would have to find a rationale for doing so - which leads on to the possibilities discussed below in paragraph 7 m. and following.

3. Modified rent allowance system as suggested to Edmund-Davies Under this option the method of fixing force maximum limits would not be changed. Compensatory grant would be abolished. In return, all those who currently qualify for a maximum limit allowance would receive the force maximum limit itself and in addition the lowest force maximum limit in the country would be pensionable. In 1978 the Official Side estimated that their proposal would save authorities on average £6.44 a week for each officer in service, but would eventually add £7.31 a week on average to the pensions of those currently serving. Given that officers serve for longer than they receive pensions, the proposal would have brought about a large immediate saving, with a reduced saving after 30 years.

Pros Simpler administration. Removes compensatory grant. Financial saving.

Cons Already dismissed by Edmund-Davies. Does not solve the problems stemming from basing rent allowance on biennial open market valuation of the selected house.

*The Staff Side of course would as in the past hold out for consolidation of the highest rent allowance actually paid.

4. Linking rent allowance to costs elsewhere in the housing market Independent figures are available on (i) council house rents (CIPFA); (ii) house prices - subdivided into: new; post-1919; pre-1919 (Nationwide Building Society); (iii) average household expenditure on rents/house purchase costs - subdivided into council house rents; private rents; owner occupiers' costs but not mortgage repayments (Department of Employment's Family Expenditure Survey); and (iv) charges paid by Armed Forces personnel - subdivided into married and single quarters according to different ranks and standard of accommodation (OME).

5. Some of these independent figures would probably carry more confidence as a measure of housing costs in the community than the open market rental criterion which is the current basis for rent allowance. However, there are complications. For instance, with council house rents, there are wide variations in the amount of "subsidy" from different local authorities, the type and standard of housing, and the proportion of total costs formed by interest payments. It should however be possible to overcome these difficulties to some degree.

6. Again, if an allowance were based on all or a proportion of the cost of house purchase, the system would be vulnerable to the dramatic rises in house prices that have been seen periodically over the last ten or fifteen years. Moreover, there would still be the problem of compensating police officers for inflation in house prices which they do not themselves experience: for instance, if rent allowance were based on average mortgage repayments of, say, a post-war 3-bed semi plus rates the allowance would go up broadly with housing costs even though the individual's mortgage repayments stood largely still. One way round that would be to split the allowance into two elements - the first to cover fixed costs (i.e. the mortgage repayments minus interest fluctuations; and the second to cover variable costs i.e. rates and interest fluctuations on the mortgage). While this would prevent police officers benefitting from inflation in house prices, it would mean markedly different levels of allowance depending on the year in which an officer bought his house. Not only would this method be administratively far more complex even than the existing system, but, because it would tend to give younger officers higher allowances than those who had bought their houses several years before, it could cause severe problems in terms of morale and incentive.

7. On the face of it more promise is held out by the practice of the Armed Forces, who nearly fifteen years ago departed from payments in kind allied to low salaries in favour of comprehensive salaries (known as the military salary) from which those provided with food and/or quarters are required to pay charges. To a large extent married quarters in the Armed Forces can be seen as equivalent to police provided housing. Given that the intention of rent allowance is to give those not in provided housing an equivalent financial benefit, it seems that a valid point of reference is formed by the charges actually paid by those in armed forces' accommodation.

8. The armed forces' housing charges are based on four elements :

- rent (unfurnished); this is based on average rents charged by local authorities for houses of similar size, but abated "to reflect only that part of local authority rents which related to the direct cost of occupancy - the running costs in terms of supervision and management and expenditure on repairs - rather than capital costs. This recognised the fact that those in service quarters do not enjoy the same degree of security of long term tenure as do local authority tenants." (Paragraph 93 of 1981 report of Armed Forces Pay Review Body). The reason quoted by the Review Body for abating local authority rents as described applies also to police officers.

- average rates payable for each type of quarter.
- a charge for hire of furniture and equipment. This would not apply to the police.
- a charge for the cost of maintenance and decoration over and above local authority practice. How far this would be applicable to the police would depend on an assessment of the standard of maintenance and decoration in police provided housing vis-a-vis that in council housing.

GEOGRAPHICAL BASIS FOR CALCULATION OF ALLOWANCE

(The discussion in this appendix is based on England and Wales; figures relating to rents in Scotland and Northern Ireland are being sought).

1. The present system whereby maximum limits are fixed for each force is intended to allow the rent allowance to reflect local housing costs. But a comparison of the existing maximum limits in some neighbouring forces does not encourage the belief that that intention is borne out in practice. For instance :

<u>Force</u>	<u>Maximum limit (p.week)</u>	<u>Date of last Review</u>
Cleveland	£ 31.99	9.11.80
Durham	£ 23.37	1. 4.80
S.Yorkshire	£ 23.25	) 1. 4.80
W.Yorkshire	£ 28.12	
G.Manchester	£ 24.63	) 1. 4.80
Merseyside	£ 26.05	
Cambridgeshire	£ 24.67	1. 4.80
Norfolk	£ 29.60	1. 8.80
London	£ 38.01	) 1. 4.81
Kent	£ 43.55	
Essex	£ 34.00	

2. However, even if the system were changed to an annual review based on average council house rents there would still be anomalous differences between forces as the following table shows :

<u>Region</u>	<u>Average Rent</u>	<u>Force area with highest rent</u>	<u>Force area with lowest rent</u>
NORTHERN	£11.57	Cleveland - £12.09	Cumbria - £10.87
YORKSHIRE	£11.04	W.Yorkshire - £11.82	N.Yorkshire - £ 9.85
NORTH WEST	£12.47	Merseyside - £14.21	Manchester - £11.65
E.MIDLANDS	£11.36	Northants - £11.45	Leicestershire - £10.58
E.ANGLIA	£12.39	Suffolk - £12.74	Cambridgeshire - £11.62
W.MIDLANDS	£12.71	W.Midlands - £13.42	Staffordshire - £11.66
S.EAST (excl.London)	£13.44	Hampshire - £14.43	Bedfordshire - £11.82
LONDON	£15.10		
S.WEST	£12.52	Dorset - £12.67	Glos - £12.09
WALES	£12.15	Gwent - £13.29	Dyfed-Powys - £11.84
ALL ENGLAND & WALES	£12.39	London - £15.10	N.Yorkshire - £ 9.85
ALL OUTSIDE LONDON	£12.22	Hampshire - £14.43	N.Yorkshire - £ 9.85
ALL OUTSIDE LONDON & S.EAST	£11.95	Merseyside - £14.21	N.Yorkshire - £ 9.85

Annex 1 sets out for each force in England and Wales the current maximum limit rent allowance for federated ranks, the date of the last review, and the average local authority rent for 3 bedroom post-war council houses.

3. As can be seen from the previous table and Annex 1, a force-based system would still lead to anomalies, for instance a £2.50 a week difference between Merseyside and Manchester, magnified to £3.65 a week through the addition of grossed-up tax. These anomalies are largely due to the different policies of different local authorities on the matter of council house rents and differences in the local composition of housing stock - for instance an authority whose stock of post-war 3 bedroom houses was largely built in the late 40s and 50s will other things being equal, have a lower average rent than an authority which built heavily during the 60s. While there are such ready explanations for the differences, they are not going to carry conviction with police officers when it comes to explaining why their rent allowance is different from that in a neighbouring force.

4. To some extent the differences would be smoothed out by adopting regional averages, but it would still be difficult to justify, for example, paying more to an officer in Cumbria than one in Leeds or Sheffield.

5. There therefore appears to be a case for considering a more radical approach than at first seemed appropriate, i.e. either introducing a national rate or one rate for London and one for the rest of the country. This would of course apply only to the rent element of the proposed allowance; the rates element would vary force by force, the variation being considerable as can be seen in Annex 2 which shows the average domestic rates payable per "domestic hereditament" in 1981/82, force area by force area. One advantage of a national rate for the rental element is that it would be appreciably cheaper than force or regional rates.*

6. If a national rate for the rental element were adopted, there would still need to be separate consideration for London, if only because the police London weighting presently excludes the housing element of the Pay Board formula for London weighting. The problem could be dealt with either by having separate rental elements as between London and the rest of the country, or by adding the housing element of the Pay Board formula to the national rental figure, for those in London.

*the explanation for this lies in the fact that the geographical distribution of police officers does not match that for 3 bedroom post-war council houses, particularly in London where the concentration has been on flats even more than in the other cities.

<u>Force</u>	<u>Force Maximum Limit</u>	<u>Date of Last Review</u>	<u>Average Unrebated Rent 1981/82 for 3 Bedroom Council House</u>
	<u>per week (£)</u>		<u>per week (£)</u>
Avon & Somerset	33.58	1.4.81	12.63
Bedfordshire	33.50	1.4.80	11.82
Cambridgeshire	24.67	1.4.80	11.62
Cheshire	36.25	1.5.81	11.79
Cleveland	31.99	9.11.80	12.09
Cumbria	24.15	1.4.81	10.87
Derbyshire	28.47	1.10.81	11.09
Deveon and Cornwall	27.23	1.4.80	12.58
Dorset	25.77	1.4.80	12.67
Durham	23.37	1.4.80	11.21
Dyfed - Powys	21.75	1.4.80	11.84
Essex	34.00	1.4.81	13.71
Gloucestershire	25.50	1.4.80	12.07
Greater Manchester	24.63	1.4.80	11.65
Gwent	28.02	1.12.81	13.29
Hampshire	34.73	1.10.81	14.43
Hertfordshire	34.79	1.4.80	12.44
Humberside	26.63	1.4.80	11.39
Kent	43.55	1.4.81	13.16
Lancashire	25.90	1.4.80	12.05
Leicestershire	26.95	1.4.81	10.58
Lincolnshire	24.02	1.7.80	11.10
London - Metropolitan	38.01	1.4.81	15.10
London - City	38.01	1.4.81	15.10
Merseyside	26.05	1.4.80	14.21
Norfolk	29.60	1.8.80	12.47
Northamptonshire	22.16	1.4.80	11.45
Northumbria	22.91	1.4.80	11.66
North Wales	28.80	1.4.80	12.23
North Yorkshire	25.63	1.4.80	9.85
Nottinghamshire	23.79	1.4.80	12.03
South Wales	30.78	1.4.81	11.89
South Yorkshire	23.25	1.4.80	10.44
Staffordshire	26.16	1.4.80	11.66
Suffolk	26.57	1.4.80	12.74
Surrey	33.98	1.7.80	14.30
Sussex	27.25	1.4.80	13.05
Thames Valley	31.80	1.10.80	13.12
Warwickshire	30.66	1.4.79	13.04
West Mercia	33.25	1.4.81	12.06
West Midlands	27.81	1.4.80	13.42
West Yorkshire	28.12	1.4.80	11.82
Wiltshire	25.58	1.6.80	12.48

Average Domestic Rates Payable (unrebated) per DomesticHereditament 1981/82 (Source: CIPFA)

<u>Force Area</u>	<u>Annual Rates</u>	<u>Force Area</u>	<u>Annual Rates</u>
London	£352	Lancashire	£136
G. Manchester	£234	Leicestershire	£167
Merseyside	£242	Lincolnshire	£157
South Yorkshire	£130	Norfolk	£150
Northumbria	£221	Northamptonshire	£173
West Midlands	£260	North Yorkshire	£172
West Yorkshire	£152	Nottinghamshire	£145
		Staffordshire	£200
		Suffolk	£214
		Surrey	£301
Avon & Somerset	£197	Sussex	£243
Bedfordshire	£273	Thames Valley	£280
Cambridgeshire	£230	Warwickshire	£260
Cheshire	£237	West Mercia	£222
Cleveland	£222	Wiltshire	£189
Cumbria	£153		
Derbyshire	£178	Dyfed - Powys	£110
Devon & Cornwall	£172	Gwent	£156
Dorset	£247	North Wales	£170
Jurham	£167	South Wales	£157
Essex	£260		
Gloucestershire	£213	All England & Wales	£233
Hampshire	£238	Outside London :	
Hertfordshire	£309	Metropolitan areas	£226
Humberside	£140	Shire areas - England	£214
Kent	£203	Shire areas - Wales	£152

AVERAGE WEEKLY COUNCIL HOUSE RENTS, ENGLAND & WALES
(UNREBATED; EXPRESSED IN AVERAGE 1975 PRICES)

SOURCE: D O E

