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PRIME MINISTER

Review Body reports and related matters

The agenda for your meeting on Monday 21 May is:

- Flag A
- i. the pay offer for the non-industrial civil service proposed in the Chancellor of the Exchequer's minute of 17 May;  
(unless you and the other recipients have already cleared it)
  - ii. the handling of the 1984 Review Body reports in the light of the paper attached to Sir Robert Armstrong's minute of 18 May.

Non-industrial civil service pay

2. The issues which might be raised on the pay offer for the non-industrial civil service are:

- the weighting in favour of staff not receiving increments
- the level of the offer (5 per cent) for these staff (two-thirds of the total)
- the timing of the negotiations.

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3. You will recall that when Ministers agreed on the previous offer (3.7 per cent overall, with 4 per cent for those not receiving increments and 3 per cent for the rest) the Secretary of State for Defence in his minute of 3 May expressed reservations on the grounds that this favoured those on their maxima who might be "settling for a quiet life" rather than "aspirants striving

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Chancellor  
makes same  
point see

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for future promotion". In his minute of 8 May Lord Gowrie rejected this argument pointing out that, with a contracting service, many staff might reach their maxima in their mid-twenties with little hope of early advancement. The weighting in favour of staff not receiving increments is even more marked in the latest offer (5 per cent as against 3.5 per cent) and Ministers will need to be sure that they accept the management arguments in favour of this.

4. The overall level of the offer (4.5 per cent) ought not to have awkward repercussions; indeed the teachers have already rejected an offer at that level. It may be argued however that public attention will be directed to the 5 per cent for the staff not receiving increments, and that it would be presentationally desirable to shade this down, say to 4.9 per cent. Against this it can be argued that the 5 per cent has great presentational appeal for the civil service unions since it is the lower quartile figure which emerged from the OME survey of pay data and that it might just tip the scale in favour of a quick settlement before the Review Body reports have to be published.

5. When the level and shape of the offer are agreed you will wish to ask the Chancellor about the timing of the negotiations. If the informal sounding about the offer is made late on Monday or early on Tuesday, is there any chance that a settlement can be reached before the Whitsun recess? Is there likely to have to be some consultation process within the individual unions, and how long is that likely to take?

#### Review Body reports

6. As requested at the Ministerial meeting on 3 May, Sir Robert Armstrong's paper illustrates two alternative approaches to the Review Body reports: reducing the effective increases over 12 months by deferring implementation, staging, or making



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them run for a longer period; and using managerial arguments about improved efficiency involving actual or potential cost reduction to justify paying the increases in full.

7. The main issues are therefore:

i. which of these two approaches are to be adopted for the reports of the four Review Bodies; (AFPRB, NRB, DDRB and TSRB)

ii. when and how are the proposals for implementation to be put before the Cabinet and, when approved, announced.

8. The crucial political decisions are those affecting the AFPRB and NRB reports. The increases recommended in those reports are the largest (7.6 per cent and 7.5 to 7.8 per cent respectively), involve most people (some 900,000), and have the biggest consequences for public expenditure. The main considerations on either side of the argument are:

against full implementation

- the cost  
(the Secretary of State for Defence has undertaken to absorb the £185 million extra cost of the AFPRB award this year; and the Secretary of State for Social Services to absorb some £54 million extra pay costs for the NHS, but this would still leave a call of over £200 million on the Reserve);
- the repercussions  
(for the non-industrial civil service, unless settled by then; the rest of the NHS; the teachers; and less directly, the railwaymen and the miners);



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in favour of full implementation

- the difficulties of abandoning a long-standing policy on armed forces pay without a sufficiently clear-cut excuse for doing so (the Government has made a virtue of not having a pay norm for the public services);
- the risk of an explosion and accusations of bad faith from the nurses in the first year of the new arrangements;
- the difficulty of cutting back the armed forces and nurses unless the Government is prepared in due course to apply the same treatment to the police and the fire service.

9. The DDRB and TSRB reports will have to be considered against the background of the decision on these major issues. Trimming back the recommendations in these two reports (which are somewhat lower than the others: 6.9 per cent for the doctors and dentists and under 6.5 per cent for the TSRB groups) will do little or nothing to mitigate the repercussive affects of implementing the AFPRB and NRB reports in full. So far as costs are concerned a reduction in the effective increase to the doctors and dentists may ease the NHS financing problems slightly; for the TSRB groups there is no significant financing problem as paragraph 5 of Sir Robert Armstrong's paper explains.

10. For the DDRB therefore the decision may turn on whether the Secretary of State for Social Services considers it defensible to treat the recommendations differently from the NRB's recommendations.

11. For the TSRB, the important relationship is with the settlement for the non-industrial civil service. The Chancellor may press for the effective increase over the twelve months to be reduced by one of the methods discussed in paragraphs 7 and 8



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of Sir Robert Armstrong's paper, in line with his latest proposed offer, discussed earlier in this brief. This could either be to 4.5 per cent (the overall increase) or to 5 per cent (the increase for those who receive no increments - which is the case for the TSRB groups). This could be done by paying 3 per cent from 1 April and the balance from either 1 November (yielding 4.46 per cent), from 1 October (yielding 4.75 per cent), or from 1 September (yielding 5.04 per cent). Different views can be held on whether it is worthwhile in presentational terms to make fine adjustments of this kind which nevertheless have some significant implications for the pensions of those retiring during the relevant period.

#### Timing

12. You said in the House on 15 May (OR Col 146) that you "hope to be able to make an announcement on all of [the Review Body reports] not later than just after the Whitsun recess", ie presumably not long after 4 June. The Cabinet will however need to be consulted, and they have often found it difficult to reach agreement at one meeting. On the other hand it is desirable, in order to minimise leaks, to have the Cabinet discussion very close to the time of announcement.

13. This suggests that the Review Body Reports should be discussed at the Cabinet on Thursday 7 June with an announcement by written Parliamentary answer (following well established precedent) that afternoon or the following day. If however the AFPRB and/or the NRB recommendation were not to be accepted in full, an oral statement would probably be unavoidable and would have to come early in the following week.

14. You will wish to consider whether, as in recent years, the Cabinet's discussion should be on the basis of a note by the Secretary of the Cabinet which summarises the relevant facts and



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sets out the provisional conclusions reached at a meeting of the Ministers mainly concerned under your chairmanship.

CONCLUSIONS

15. You will wish to reach conclusions on:

i. (if necessary) whether the level and shape of the next pay offer to the non-industrial civil service should be as proposed in the Chancellor of the Exchequer's minute of 17 May;

ii. whether, in respect of each of the reports of the four Review Bodies (AFPRB, NRB, DDRB and TSRB):

- the recommended increases should be implemented in full,  
or
- the effective increases over 12 months should be reduced and, if so, how;

iii. when and how the proposals for implementation should be:

- put before the Cabinet, and (when approved)
- announced.

*PLG*

P L GREGSON

18 May 1984

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