

20 Feb XB
COSYAAI
cc Prof Griffiths



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

REVIEW BODY REPORTS

The Prime Minister was grateful for your minute of 16 May covering a draft written reply for her to answer about the Review Body recommendations this year.

This is of course to be discussed at a meeting tomorrow. The Prime Minister has, however, noted now that the draft answer gives no estimate of the cost of introducing discretionary points for Grades 2 and 3 (paragraph 8 of the draft answer). She believes that not to give a figure risks creating suspicion. She has asked if you could consider what could be done to put a figure, or a range, on the likely cost.

The Prime Minister believes that the decision taken last week was to introduce discretionary points only for Grade 3 in the first instance. This can no doubt be discussed further at the meeting tomorrow, but it would be helpful if figures could be available distinguishing between the costs of introducing discretionary points for the two grades. The Prime Minister also appears to have some doubts about the proposition that the discretionary points will not be pensionable and will be withdrawable if the recipient's relative performance ceases to merit them. She has not, however, said what her doubts are.

Finally, the Prime Minister has marked some amendments to paragraph 4 of the draft answer, from the third sentence onwards, so that it would read as follows:

"This year the Government have decided that the salaries of this group should not exceed the rate of inflation. The average increase will therefore be the increase in the Retail Price Index during the year to March 1986, about 4.2 per cent, rather than the figures of about 6.5 per cent which the Review Body recommended. The distribution of this increase will follow that recommended by the Review Body. As with the other Review Bodies, the increases will not be payable until 1 July 1986; the increase in the pay bill for 1986-87 will therefore be about 3.1 per cent."

DAVID NORGRIVE

19 May 1986

PRIME MINISTER

REVIEW BODIES

For a meeting on Tuesday.

The proposed answer (paragraph 8) would not give the cost of the discretionary increments for Civil Service grades 2 and 3.

The answer says in effect that the cost would depend on the number of people who received them. I think not to give it would look suspicious. (RTA has probably run into difficulty with the Treasury)

Agree to ask RTA to consider what could be done to put a figure, or a range, on the cost?

DN

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leo
MT

David Norgrove

16 May 1986

JALARM

Ref. A086/1460

PRIME MINISTER

Review Body Reports

The group of Ministers which has been meeting under your chairmanship to consider how the Government should respond to the five Review Body reports which have now been received reached the following provisional conclusions at its meeting on Tuesday 13 May. It was agreed that these conclusions should be reviewed by a larger group of Ministers at a meeting on Tuesday 20 May, with a view to consideration at Cabinet on 22 May and an announcement later that day.

2. The provisional conclusions reached were:

a. The recommendations on Doctors and Dentists, Nurses and Midwives, Professions Allied to Medicine and Armed Forces should be implemented with effect from 1 July 1986.

b. The groups covered by the Top Salaries Review Body report should receive increases averaging about 4.2 per cent (the rate of inflation for the year ended March 1986), distributed in accordance with the pattern recommended by the Review Body, also with effect from 1 July 1986.

c. The Top Salaries Review Body's recommendations of last year for the introduction of a system of discretionary increments for Grades 2 and 3 in the Civil Service should now be accepted.

1. Thought - Grade 3 only -
for a start

(3.15.76 for
1986-7)



3. I was instructed to prepare a draft of a statement for you to make, by way of a Written Answer to an arranged Parliamentary Question, on Tuesday 22 May.

--- 4. I attach a draft Written Answer, which includes a schedule of salary rates for the TSRB groups, for consideration at your meeting on 20 May. I should draw the following particular points to your attention:

a. The last sentence of paragraph 3 of the draft states that the increases resulting from the Government's decision will be made from within existing public expenditure plans. This may need to be modified in the light of discussions still continuing between the Secretary of State for Social Services and the Chief Secretary, Treasury.

b. In respect of the increases for the TSRB groups, I have assumed that you would want to include the figure of 4.2 per cent, as being related to the increase in the Retail Price Index during the year to March 1986, as well as the figure of 3.1 per cent, as the increase in the pay bill for 1986-87.

c. The last sentence of paragraph 6, which says that the Government is considering separately certain points of detail in the recommendations, is a reference to issues of detail on increases of certain charges for members of the Armed Forces.

d. Paragraph 7, on discretionary increments for Grades 2 and 3, says not only that (as recommended by the Review Body) there will be discretionary increments above the normal maximum for sustained high performance, but also - and this was not recommended by the Review Body - that the "automatic" increments introduced for the first time last year on the Review Body's recommendation for these grades



will no longer be "automatic". But it also makes clear that while the criteria for awarding discretionary increments will be related to performance above the normal expectation for the grade, withholding of the "automatic" increments will be related to failure to perform up to that expectation. The inclusion of this provision for withholding "automatic" increments in the event of below average performance could give rise to a considerable row with the staff interests concerned, and perhaps more widely with the Civil Service unions, who may see this as the harbinger of a policy of making increments more discretionary in grades below the Open Structure. Since the staff interests concerned will in any case resent the discrimination against the TSRB groups, Ministers will wish to consider whether to introduce this additional idea of withholding "automatic" increments in its announcement. It may lead to a row; but the best moment to introduce a "downside" provision of this kind is the moment at which it coincides with an "upside" provision for discretionary increments above the normal maximum.

5. I am sending copies of this minute to the Ministers who have been invited to attend your meeting on Tuesday 20 May.

ROBERT ARMSTRONG

16 May 1986



SECRET

DRAFT OF 16 MAY 1986

Draft Written Reply for the Prime Minister

Review Bodies 1986

The 1986 reports of the Review Bodies on the pay of Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicines, Doctors and Dentists, and the Armed Forces, and of the Top Salaries Review Body, have been published today. Copies are now available in the Vote Office. The Government are grateful to members of the Review Bodies for these reports and the time and care which they have put in to their preparation.

2. The reports recommend pay increases from 1 April 1986 which it is estimated would increase the 1986-87 pay bill for nurses, midwives and health visitors by 7.8 per cent, that for the professions allied to medicine by 8.2 per cent, that for doctors and dentists by 7.5 per cent, and that for senior grades of the higher Civil Service, senior officers in the armed forces and the judiciary by 6.5 per cent. These figures are all substantially above the rate of inflation, and above the general level of current wage settlements.

3. The Government have nevertheless decided that the increases recommended by the Review Bodies, with the exception of those recommended by the Top Salaries Review Body, should be implemented in

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PAYAAF

Amended

full; but, having regard to the sums involved for this financial year, with effect from 1 July 1986. The resulting increases in the pay bills concerned will average a little under 6 per cent in 1986-87 and the costs in 1986-87 will be met from within existing public expenditure plans.

4. The Top Salaries Review Body last year carried out a major review of the remuneration of those covered by their remit, as a result of which they recommended increases, some of them substantial, in the salaries of those concerned. The recommended salaries have been fully in effect since February 1986. This year the Government have decided that the salaries of this group should ^{not exceed the rate of inflation} ~~keep broadly in pace with~~ inflation. The average increase will therefore be about 4.2 per cent, the increase in the Retail Price Index during the year to March 1986, rather than the figures of about 6.5 per cent which ~~would have resulted from~~ the Review Body's ^{ed} recommendations. The distribution of this increase will follow that recommended by the Review Body. As with the other Review Bodies, the increases will ^{not} be payable ^{until} ~~from~~ 1 July 1986; the increase in the pay bill for 1986-87 will therefore be about 3.1 per cent.



5. Details are as follows:

	<u>Recommendation</u>	<u>Average effective percentage increase</u> <u>in 1986-87</u>	<u>Estimate Cost (£m)</u>		
	<u>Average</u>	<u>Range</u>		<u>Recommended</u>	<u>1986-87</u>
Nurses	7.8	5.4-8.0	5.9	325	244
PAMs	8.2	6.5-8.0	6.1	30	22
DDRB	7.6	6.8-9.6	5.7	185	139
AFPRB	7.5	5.5-9.5	5.6	234	175
TSRB	6.5	5.3-7.3	3.1	5	2½

Full year effects for groups other than TSRB are as recommend^{ed}; for TSRB groups the full year average is 4.2 per cent and the range 3.3 per cent to 4.7 per cent.

6. The pay rates and scales resulting from the decisions will be promulgated as soon as possible for National Health Service and Armed Forces groups. Rates for TSRB groups are set out below. Pensions will be based on the salaries actually in payment in accordance with the principle set out in my Written Answer of 13 April 1984 col 383. The Government is considering separately certain points of detail in the recommendations.



7. In addition the Government have decided to accept the recommendation, first put forward by the Top Salaries Review Body last year, that there should be a system of discretionary increments above the present scales for Civil Service Grades 2 and 3 (Deputy and Under Secretaries). Additional increments beyond the normally attainable maximum salary will be awarded to a limited proportion of people in these grades, within rigorously defined criteria for sustained high performance. The ability to award discretionary increments will also provide some flexibility for other purposes.

These additional increments above the normal scale will not be pensionable and will be withdrawable if the recipient's relative performance ceases to merit them. At the same time the increments on the normal scales introduced for the first time last year will no longer be automatic for new entrants to these grades: while it is to be expected that the increments will be given unless performance is below reasonable expectation, a positive decision related to continued performance will need to be taken. There will be consultation with staff interests.

8. The proposed discretionary points now to be introduced are shown in the table below. Payments at these higher points will be introduced as soon as the detailed arrangements can be completed, and I hope within the present financial year. Once the new arrangements are in operation, Grade 3 will be excluded from the scope of the existing performance bonus scheme. The costs of this proposal would depend on detailed decisions of the size of the eligible population



and the rate at which discretionary increments are awarded. The costs of all these proposals for TSRB groups will be met within existing cash limits set.

CONQUEROR

	Salaries currently in payment £	Cash TSRB recomm- endation £	Increases Awarded £	Salaries effective from 1 July	Staff in post (note 1)	Percentage increases TSRB recomm- endations	Awarded Full- year	1986- 7
SENIOR GRADES OF THE HIGHER CIVIL SERVICE								
Head of the Civil Service (and Secretary of the Cabinet)	75,000	4,000	2,500	77,500	1	5.33	3.33	2.50
Permanent Secretary of the Treasury	70,000	4,000	2,500	72,500	1	5.71	3.57	2.68
Grade 1 (Permanent Secretary)	60,000	3,500	2,250	62,250	21	5.83	3.75	2.81
Grade 1A (Second Permanent Secretary)	55,000	3,000	2,000	57,000	14	5.45	3.64	2.73
Grade 2 (Deputy Secretary)								
- on promotion	40,000	2,500	1,600	41,600	140	6.25	4.00	3.00
- after 1 years service in the grade	42,000	2,500	1,600	43,600	}	5.95	3.81	2.86
				46,000				
discretionary (note 2)				49,000				
				52,000				
Grade 3 (Under Secretary)								
- on promotion	31,000	2,250	1,425	32,425	482	7.26	4.60	3.45
- after 1 years service in the grade	32,500	2,250	1,425	33,925	}	6.92	4.38	3.29
					}			
- after 2 years service in the grade	34,000	2,250	1,425	35,425	}	6.62	4.19	3.14
				37,425				
discretionary (note 2)				39,425				
				41,425				

SENIOR OFFICERS IN THE ARMED FORCES

Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	}	75,000	4,000	2,500	77,500	1	5.33	3.33	2.50
Admiral General Admiral Chief Marshal	}	60,000	3,500	2,250	62,250	19	5.83	3.75	2.81
Vice-Admiral Lieutenant General Air Marshal	}	42,000	2,500	1,600	43,600	33	5.95	3.81	2.86
Rear Admiral Major General Air Vice-Marshal	}	34,000	2,250	1,425	35,425	154	6.62	4.19	3.14

JUDICIARY

Lord Chief Justice		75,000	4,000	2,500	77,500	1	5.33	3.33	2.50
Lords of Appeal Master of the Rolls Lord President of the Court of Session Lord Chief Justice (N.Ireland)	}	69,000	4,000	2,500	71,500	12	5.80	3.62	2.72
Lord Justice Clerk Lords Justices of Appeal Lords Justices of Appeal (N.Ireland) President of Family Division Vice-Chancellor	}	66,000	4,000	2,500	68,500	28	6.06	3.79	2.84
High Court Judges Judges of the Court of Session Puisne Judges (N.Ireland)	}	60,000	3,500	2,250	62,250	102	5.83	3.75	2.81

Members, Land Tribunals (England and
Wales, Scotland and N.Ireland) (note 3)

30,500 12,000 11,100 41,600 9 39.34 36.39 27.30

Chairmen, Industrial Tribunals (England and
Wales, Scotland and N.Ireland) }

Metropolitan Magistrates }

Provincial Stipendiary Magistrates }

Resident Magistrates (N.Ireland) }

Masters and Registrars of the Supreme Court }

Masters of the Supreme Court (N.Ireland) }

30,500 2,250 1,425 31,925 395 7.38 4.67 3.50

Registrar of Civil Appeals }

County Court Registrars and District }

Registrars of the High Court }

Circuit Registrars (N.Ireland) }

President, Pensions Appeal Tribunal }

Vice-Presidents, Immigration Appeal Tribunal }

Vice-President (Scotland) and Chairmen, }

Value-Added Tax Tribunals }

Chairmen, Social Security Appeal Tribunals }

and Medical Appeal Tribunals }

Special Commissioners of Income Tax }

NOTES

1. At latest available date
2. Proposals under consideration
3. Post rebanded for salary purposes

