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Ref. A086/1485

MR NORGROVE

Review Body Reports

Discretionary Increments for Grades 2 and 3

I attach a note by Mr Wiggins on the cost of introducing discretionary increments for Grades 2 and 3.

2. On the assumptions he makes, which I agree are reasonable assumptions, the costs would be:

	<u>Grade 2</u>		<u>Grade 3</u>	
	£	%	£	%
a. <u>1986-87</u>				
If introduced from 1.10.86:	42,000	0.7	120,000	0.7
If introduced from 1.1.87:	21,000	0.35	60,000	0.35
b. <u>First full year</u>	84,000	1.5	240,000	1.5

3. If Grade 3 are excluded from the experimental performance bonus scheme, the total remuneration received by this group is likely to be broadly unchanged, with discretionary increments - if introduced in October - roughly balancing bonuses forgone.

4. If the Prime Minister wants to mention cost figures in the answer, the last sentence of the draft could be amended to read:

"The costs of this proposal would depend on detailed decisions as to the size of the eligible population and as to the rate at which discretionary increments are awarded, and (for 1986-87) on the date on which the scheme could be introduced. It is estimated that, if it were possible to



introduce the increments from 1 October 1986, the cost would be of the order of £160,000 in 1986-87 and £320,000 in the first full year. However, total remuneration of the Grade 3 group, which would account for three quarters of the expenditure, would be little changed, since they will at the same time be excluded from the experimental performance bonus scheme.

5. The Prime Minister will no doubt seek to clarify with her colleagues whether the introduction of discretionary increments is to apply only to Grade 3, or to Grades 2 and 3. I hope that the answer will be that it should apply to both: despite the difficulty of deciding who in Grade 2 should get them, I think that it would be difficult to defend to people in Grade 2 a decision to accept the Review Body recommendation for Grade 3 but not for Grade 2; and Sir Robin Ibbs's arguments for the introduction of discretionary increments at those levels apply with equal force to both grades.

ROBERT ARMSTRONG

(Approved by Sir Robert Armstrong
and signed in his absence).

19 May 1986

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SIR ROBERT ARMSTRONG

REVIEW BODY REPORTS

Mr Norgrove's minute to you of 19 May asked what the cost might be of introducing additional discretionary increments for Grades 2 and 3.

2. The answer will, of course, depend on when payment of the increments takes effect, and how many people are awarded them. The TSRB recommended that up to 25 per cent of officers in the two grades should receive them.

3. It seems reasonable to assume that initially only one increment will be awarded to the selected recipients. Then in subsequent years some proportion of the recipients might be raised to the second and eventually the third incremental points.

4. In the first full year the maximum costs would therefore be:

a. Grade 2: 25 per cent x 140 x £2,400 = £ 84,000

b. Grade 3: 25 per cent x 482 x £2,000 = £240,000

these amounts correspond to about 1.5 per cent of the paybills of the grades concerned.

5. The earliest possible date for introducing the discretionary increments would be 1 October 1986. If payments were paid from that date, the cost as a proportion of the current year's paybill would be about 0.7 per cent for the grades concerned. This figure would be halved if, as seems likely, it did not prove practicable to introduce the increments until 1 January 1987. In that event the total cost for Grade 2 during the current year would be £21,000, and for Grade 3 £60,000.

6. As a proportion of the TSRB paybill as a whole, the amounts in question for the current year would be of the order of 0.1-0.2 per cent.

7. The total paybill of the TSRB groups amounts to about £75 million a year, less than 1 per cent of the total paybill covered by review bodies of about £10 billion a year.

JW

A J WIGGINS
Economic Secretariat.
19 May 1986