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CABINET

REVIEW BODY REPORTS

Note by the Secretary of the Cabinet

The Prime Minister has now received all the reports from the Review Bodies. They have recommended the following increases with effect from 1 April 1987.

Review Body	Average increase %	Range of increase %	UK Public expenditure cost £m
Top Salaries (TSRB)	4.8*	4.6-5.1*	4
Armed Forces (AFPRB)	5.96	4.0-7.0	200
Doctors and Dentists (DDRB)	7.7	7.0-8.25	230
Professions allied to Medicine (PAM)	9.1	6.0-12.6	39
Nurses and Midwives (NRB)	9.5	5.0-12.7	447

2. The Government has said that it will accept Review Body recommendations unless there are clear and compelling reasons for not doing so. The Review Bodies themselves say that they have taken account of general economic circumstances as well as outside pay movements and problems of recruitment and retention. Their recommendations compare with:

- An average level of settlements for the whole economy so far (covering a quarter of employees) of about 5.75 per cent. In the private sector it is 4.75 per cent.

*These figures exclude discretionary increments for Grades 2 and 3 in the Civil Service, which will come into payment for certain members of those grades during 1987-88.

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- An offer to most civil servants which costs about 5.2 per cent on the 1987-88 pay bill. But the general increase on 1 April will be only 4.6 per cent (4.25 per cent or £5.75 per week, whichever is greater).
- A year on year increase in underlying average earnings for the whole economy of 7.5 per cent in February.
- A year on year increase in the Retail Price Index of 4 per cent in March.

3. The increases recommended by the Top Salaries Review Body (TSRB) can be financed within existing public expenditure provisions. The Secretary of State for Defence is prepared to finance the increases recommended by the Armed Forces Pay Review Body within the public expenditure provision approved for the Ministry of Defence for 1987-88, but reserves the right to bid for increases in resources to finance the costs of the increases in subsequent years. Approved programmes for the National Health Service (NHS) include provision for pay increases of 3.75 per cent, but the increases recommended by the Review Bodies for NHS groups would cost an additional £426 million in 1987-88.

PROPOSALS

4. Ministers directly concerned have considered what the response of the Government should be to the Review Body reports, and have reached the following conclusions and recommendations, for consideration by the Cabinet.

5. In the light of the financial implications of the Review Body recommendations and the potential repercussive implications of some of the increases recommended Ministers have considered various options for deferring, staging or abating the implementation of the recommended increases. In particular, they have considered whether the effective date of implementation of the increases should be deferred from 1 April 1987 to 1 July 1987; this would reduce the additional cost of the increases for NHS groups in 1987-88 to about £250 million. On balance, however, they have concluded that the increases recommended by the Armed Forces Pay Review Body, the Doctors and Dentists Review Body and the Nurses Review Body should be implemented in full from 1 April 1987. This is on the understanding that, so far as the increases for the Armed Forces are concerned, the cost for 1987-88 will be met within existing public expenditure provisions for that year. Ministers note that the Secretary of State for Defence will wish to bid for increases in his programme to finance the cost of these increases in future years. That will be a matter to be considered in the forthcoming Public Expenditure Survey, and there is no commitment to increase the provisions for the Ministry of Defence in those years to take account of the cost of these increases.

6. The Secretary of State for Social Services is discussing with the Chancellor of the Exchequer how far the additional cost of the increases for NHS groups, not covered by existing provision, can be met from savings

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elsewhere in expenditure on the NHS and how far it should be met from the Reserve; the outcome of this discussion will be reported to the Cabinet separately.

7. So far as the TSRB groups are concerned, Ministers have had regard to the offers to civil servants described above. Though the average increase in the pay bill on account of those offers will be 4.6 per cent from 1 April 1987, with further special increases later in the year which take the increase in the pay bill for the year to 5.2 per cent, for the Civil Service grades immediately below those covered by the TSRB the immediate increases will be only 4.25 per cent. Ministers have therefore concluded that the increases recommended by the TSRB should be staged for all the grades concerned (judges and senior officers in the Armed Forces as well as senior civil servants), with 4.25 per cent being paid with effect from 1 April 1987 and the balance with effect from 1 October 1987, by which time the further special increases will be in operation.

8. The discretionary increment scheme for Grades 2 and 3 in the Civil Service, recommended by the TSRB in 1985 and accepted by the Government last year, will come into effect during the course of 1987-88. It is proposed to announce details of this scheme at the same time as the decisions on the Review Body Reports.

9. Following practice since 1984, pensions will follow salary rates in payment and not any notional salaries.

REVIEW OF PARLIAMENTARY ALLOWANCES

10. The TSRB has submitted a separate Report on MPs' and Peers' secretarial allowances, which recommends that the MPs' secretarial allowance should be frozen at its current level for at least a year. That would require a fresh Resolution of the House. Ministers propose that this report should be published as soon as possible, without any Government statement of views on the Report, at least until it has been possible to assess the reaction of the House of Commons to it.

ANNOUNCEMENT

11. It is widely assumed, if not actually known, that all the Review Body Reports have now been received. Ministers consider that there is a strong case for announcing the Government's decisions quickly, so as to avoid uncertainty and speculation. Decisions on Review Body Reports have generally been announced by way of a Written Answer to an arranged Parliamentary Question. Arrangements have been made to put down a Written Question for Answer tomorrow, Thursday 23 April. If the Cabinet approve the proposals described in this Note, the Prime Minister will announce the decisions in an Answer on the lines of the draft attached, which will become public at 3.30 pm tomorrow afternoon.

ROBERT ARMSTRONG

Cabinet Office

22 April 1987

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Draft Question

To ask the Prime Minister if she will make a statement on the latest reports of the pay review bodies.

Draft Answer

The 1987 reports of the Review Bodies on the pay of Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicine, 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 is grateful to members of the Review Bodies for these reports and the time and care which they have put into their preparation.

2. The following table shows the increases in pay rates recommended by the Review Bodies and their cost:

Review Body	Average increase %	Range of increase %	Cost* £m
Nurses, midwives and health visitors	9.5	5.0-12.7	447
Professions allied to medicine	9.1	6.0-12.6	39
Doctors and Dentists	7.7	7.0-8.25	230
Armed Forces	5.96	4.0-7.0	200
Top Salaries	4.8	4.6-5.1	4

*including employers' national insurance and superannuation contributions where appropriate.

3. The Government has decided that the increases recommended by the Review Bodies, with the exception of those recommended by the Top Salaries Review Body (TSRB), should be implemented in full with effect from 1 April 1987. The TSRB recommendations will be implemented as to 4.25 per cent from 1 April 1987, with the balance from 1 October 1987, reflecting the offers made to civil servants in grades just below those covered by the recommendations.

4. The costs of the awards this year will be generally met from within existing public expenditure totals. The Government recognises, however, that, so far as the National Health Service groups are concerned, this might adversely affect services to patients and has therefore decided to provide an extra £ million for Health Authority cash limits from within the total of planned public expenditure this year.

5. The pay rates and scales resulting from the decisions will be promulgated as soon as possible for all the groups concerned. 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).

6. I am today announcing separately the Government's decision to proceed with the scheme for discretionary pay at Civil Service Grades 2 and 3, on which there has recently been extensive consultation, as part of the Government's policy that there should be a strengthening of the link between pay and performance at all levels within the Civil Service. It is expected that discretionary pay increases will be in effect as from 1 October 1987, at the rates recommended by the TSRB.