

PO-CH/NL/0194 PART D

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PART D

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MANAGEMENT-IN-CONFIDENCE



PO -CH /NL/0194



PART D

(CS)

CHANCELLOR'S PAPERS ON
CIVIL SERVICE (CS)
MANAGEMENT AND PAY
ISSUES

PO -CH /NL/0194

PART D

Begins: 28/3/88

Ends: 10/6/88 (CONTINUED)

DD:25 years

11/9/93



prop.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 March 1988

Dear Alex,

CIVIL SERVICE PAY 1988

The Prime Minister and the Chancellor earlier this afternoon discussed the Chancellor's minute of 24 March. In the light of that discussion the Prime Minister agreed to the opening offers proposed in the minute for national pay scales, and to an offer on London Weighting of an increase of 10 per cent.

I am copying this letter to the Private Secretaries of members of MISC 66 and to Trevor Woolley (Cabinet Office).

JS

CH/EXCHEQUER	
REC.	28 MAR 1988
ACTION	<i>EST, PMG, Sir P Middleton</i>
COPIES TO INFO	<i>Mr Anson</i>
	<i>Dame A Murrell</i>
	<i>Mr Phillips, Mr Odling Smee</i>
	<i>Mr Luce, Mr C W Kelly (PAUL GRAY)</i>
	<i>Mr R G Allen</i>
	Alex Allan, Esq., HM Treasury.

Yan, Paul

Mr Chimers, Mr Gilhooly
Mr G Jordan
Mr Truman, Mr Bell
Mr Graham, Mr Cropper

FROM: L G PAINTING
 DATE: 29 March 1988

1. MR KELLY ^{with} ~~20.2.~~
 2. PS/CHANCELLOR

cc PS/Financial Secretary
 PS/Paymaster General
 Sir Peter Middleton
 Dame A Mueller
 Mr Culpin
 Miss A M Rhodes
 Mr Wilcox - IR

*Notes.
 An annual report
 state of affairs.
 I note the pls in
 para 3.*

TAXATION OF CIVIL SERVICE MOTOR MILEAGE ALLOWANCE

Mr Shotter's attached note explains why Civil Service motor mileage allowance is taxable and what constraints operate over our freedom to change this.

2. The basic problem is that whereas both Inland Revenue and we use the AA schedule to work out motoring costs, Inland Revenue feel obliged to disallow certain items for tax purposes and they have also uprated their allowance limit each year with reference to the RPI rather than the AA schedule. The RPI has recently tended to show a lower increase than the AA schedule and so the Civil Service rate has crept into tax, to join the other Public Sector schemes which were already taxed (eg NHS and local authorities - but not MPs).

3. We shall be maintaining pressure to keep the Civil Service rate down, while recognising that the attraction to the employee getting the use of an official car rather than receiving mileage allowance is becoming a less attractive option now that scale benefit charges are to increase. For its part Inland Revenue will also be giving attention to the relationship between taxation of mileage allowance and scale benefit charges for company cars.



L G PAINTING

FROM: M J SHOTTER
DATE: 29 March 1988

- Note attached*
1. MR PAINTING
 2. MR C W KELLY ✓
 3. MR J M G TAYLOR

CIVIL SERVICE MOTOR MILEAGE ALLOWANCES

In his minute of 22 March Mr Taylor asks for a note on the 'profit element' in Civil Service motor mileage allowance.

2. The allowance affected by this is the Standard Mileage Rate (SMR). This is designed to compensate fully for the cost of running a private car on official business and not to confer any profit. It accordingly takes into consideration all commercial costs associated with running a car. There is one rate (34.4p) for cars of all sizes for mileages up to 10,000, and a lower rate (21.3p) for mileages above 10,000. The rates are based on the schedule of running costs for a 1,001 to 1,500 cc car produced annually by the AA.

3. The Inland Revenue use a different basis for calculation of their limit for determining whether such payments may be tax-free; and not all commercial costs are allowable for tax purposes. Inland Revenue are not prepared for example to take account of loss of interest on the capital invested in the car, although it is a substantial element in both the AA and the RAC schedules. Given these differing approaches, there was always some risk that SMR might move ahead of the Inland Revenue's limit. As Inland Revenue have pointed out, rates paid by other public sector employers have done so for some time.

4. However, it is not only a case of different methods of review; the way Inland Revenue apply their limit and the way employers pay their rates also have an effect. The Civil Service approach - flat rate payable up to 10,000 miles with a lower flat rate

for any further mileage - is designed to prevent over-payment by cutting the rate at the point at which all the standing charges would have been covered by SMR. As the average payment for high mileage users eventually falls below the Inland Revenue limit of 28.5p a mile no tax is due from civil servants who do more than 15,500 miles a year on official business.

5. Although there always was a risk that the SMR might move above the Inland Revenue limit, it could not be foreseen with any certainty that it would do so. Much depends on the AA figures and any adjustment that Inland Revenue decide to make in their limit. We considered reducing the rate. But it was unclear whether the movement above the Inland Revenue limit would prove to be a temporary aberration. There were also difficulties in departing from the agreed method of revising the rate. The use of the AA schedule and the basic method of review were well established. Like other employers we had for many years accepted that items such as loss of interest should be taken into account. We had recently had great difficulty in reaching agreement on the introduction of the two-tier SMR. It had caused unrest among high mileage users and they were further incensed when it was decided that MPs would not continue to follow the Civil Service arrangements but should have a different system which would give greater benefit to high mileage users with large cars. Departments still rely on the co-operation of staff in using their cars for official business and any dispute could seriously affect Government business. As the allowance is arbitrable we were also worried that we might be taken to arbitration and might lose.

6. We concluded that we should accept the situation, let the dust settle and in the longer term concentrate on undermining elements in the AA schedule and reducing the rate. We had some success last year in reducing the amount of increase that would otherwise have been due. We are currently taking expert advice on the make-up and relevance of the AA schedule with a view to taking a particularly hard line in this year's negotiations. But again, it will be necessary to decide whether we wish to face the possibility of withdrawal of co-operation and the hazard of arbitration. We will keep Ministers informed on progress.

MP

FROM: C W KELLY

DATE: 29 March 1988

PS/PAYMASTER GENERAL

- cc: PS/Chancellor
- PS/Chief Secretary
- PS/Financial Secretary
- PS/Economic Secretary
- Sir Peter Middleton
- Mr Anson
- Dame Anne Mueller o/r
- Mr Phillips
- Mr Odling-Smee
- Mr Luce
- Mr R I G Allen
- Mr Chivers
- Mr Gilhooly
- Mr G Jordan
- Mr Truman
- Mr Cropper
- Mr Tyrie
- Mr Stredder - No 10
- Mr Morgam - OMCS

X to think
unfortunate - a clear
signal that we do not
aspire to be a
properly managed
~~*state*~~

CIVIL SERVICE PAY IN 1988

We are making the agreed offers to the CPSA and NUCPS, and on London Weighting to the CCSU, at 3.30 today. I attach a copy of the final version of the press notice and of the background briefing.

passed on
 →

4.5 CPSA
 4.2 NUCPS

C W KELLY

have said
Mr
PS. What if answer
to ...?

encs

CONFIDENTIAL UNTIL 3.30 PM

TUESDAY 29 MARCH 1988

THEN UNCLASSIFIED

PRESS NOTICE

1988 Non-Industrial Civil Service Pay

The Treasury today has offered pay increases with effect from 1 April 1988 to clerical, typing and secretarial grades represented by the CPSA and to the executive grades represented by the NUCPS, who have not as yet concluded long-term pay agreements. For the clerical, secretarial and typing grades the offer is £5 per week (or 4 per cent if that is greater) for adults; £4 per week for staff on 16 and 17 age points of scales. For the executive grades the offer is for a flat percentage increase of 4 per cent. Responsibility, supervisory and typing allowances would go up by 4 per cent.

Discussions on a long-term pay agreement for Grades 5 to 7 are continuing with the unions involved.

Staff in grades represented by the IPCS, the IRSF and in the other grades represented by the NUCPS have already settled for 1988.

10 per cent increases in London Weighting, giving new rates of £1680 in Inner London, £965 in the Intermediate zone, and £705 in the Outer zone, have been offered to the Council of Civil Service Unions for London based staff. These increases of £153, £89 and £64 respectively would also take effect from 1 April.

The Treasury hope that agreement can be reached on this offer.

CONFIDENTIAL
UNTIL 3.30 PM ON 29 MARCH

NON-INDUSTRIAL CIVIL SERVICE PAY 1988

BACKGROUND NOTES

Offer to CPSA/NUCPS?

See press notice/message to staff.

Other unions have settled?

- Under long-term agreement reached in May 1987, pay of IPCS grades settled until 1 August 1988.
- Under long-term agreement reached in January 1988, pay of IRSF grades settled until 1 August 1989.
- Both IPCS and IRSF deals provide for important pay flexibilities (performance pay, geographical pay variation, ability to pay staff in same grade differently according to recruitment and retention needs); and provide for settled Megaw-based pay negotiation arrangements, with increases constrained by upper and lower quartile of pay movements outside public services. Levels surveys to inform but not constrain negotiations, providing data on interquartile range of pay for jobs outside.
- Ex-CSU members of NUCPS covered by major restructuring exercise, settled their pay until 1 April 1989.

UNTIL 3.30 PM ON 29 MARCH

- Prison Officers: separate arrangements apply. ("Fresh Start", Wynn-Parry formula links their pay to increases for other non-industrial civil servants.)

What about Grades 5 to 7?

Discussions continue on long-term pay agreement. Hope to conclude soon.

Offers small in relation to settlements outside?

Very reasonable given RPI (3.3% increase in 12 months to February) and TPI (under 2%).

Offers much less than can be afforded, given healthy state of Government finances?

- Healthy state of finances reflects prudent financial management, including control of public expenditure. Relaxing that control would be to reverse policies.
- Part of that control is system of running cost limits. Offer constructed to take affordability into account.

Offers much less than others (IRSF, IPCS) will receive?

In fact both these deals provide for 4% increases from 1 April 1988. Differences - eg October increases for IRSF - arise on account of changes which management sought from those deals.

Why haven't CPSA, NUCPS signed such deals?

You must ask them. Offer to talk about long-term pay arrangements remains on table, as has done for over a year now.

UNTIAL 3.30 PM ON 29 MARCH

Will offer of talks on long-term pay agreements remain open indefinitely?

The offer is still on the table for now. No plans at present to withdraw it.

Offers do not meet recruitment and retention problems?

Recruitment and retention problems in civil service localised, mostly in parts of London and South-East and differ by grades. General pay increase not right way to address them.

How are you dealing with geographical pay problems?

- System of local pay additions of up to £600 being introduced, aim is to implement from 1 June. Regret that unions collectively (CCSU) refused to agree guidelines for them.
- Increase of 10 per cent in London Weighting.

London Weighting?

See press notice/message to staff. Justified on recruitment and retention grounds.

Offers invite industrial action?

Y1 [Constant] *mk. ~~Adverse~~ current rate of pay; < will do TPI.*
No cause for that. Reasonable in circumstances.

Is offer "final"?

X1 [Expect negotiations to continue. But offer a very reasonable one.] *A very fair offer: no plans to increase in*

MESSAGE TO STAFF**Local Pay Additions**

The Treasury have discussed with the Council of Civil Service Unions, the introduction of a new allowance called Local Pay Additions (LPAs) which is designed to help departments meet particular recruitment and retention difficulties. Payments under the scheme can therefore vary between offices and, within an office, between grades as well as by seniority in a grade. But the maximum payment is fixed at £600 a year. LPAs will be paid on top of existing salaries and, where applicable, London Weighting.

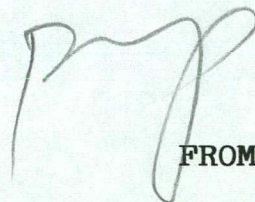
Regrettably, no agreement has been reached with the CCSU on the introduction of the scheme though they have asked to be kept in touch with progress. The Government believes it would be right to proceed with plans to introduce the scheme with effect from 1 June 1988. Each department is now drawing up provisional plans for LPAs within the limits of what they can afford. The plans will be subject to Treasury approval to ensure a consistent overall approach. All grades throughout the country up to and including Grade 4 are eligible but most payments are likely to be made in and around London and to individuals in the main recruitment grades. Department will inform their trade union sides of their detailed plans in due course.

LPAs will be pensionable, but will not count for overtime or shift disturbance allowances. People who move jobs will not be able to take these additions with them except where detached duty terms apply.

The scheme will be reviewed after 2 years.

29 March 1988

C O N F I D E N T I A L



FROM: C W KELLY

DATE: 31 March 1988

PAYMASTER GENERAL

cc: Chancellor
Chief Secretary
Sir Peter Middleton
Mr Anson
Dame Anne Mueller o/r
Mr Luce
Mr R I G Allen
Mr Gilhooly
Mr Chivers
Mr Truman
Mr G Jordan
Mr Flitton
Mr Graham
Mr Bell
Mr Tyrie

CIVIL SERVICE PAY 1988

You may like to have a note on where things currently stand.

2. Our offers to the CPSA and the NUCPS have gone relatively quietly. The press reporting was as helpful as we could have wished and there are no signs as yet of any industrial action. Leslie Christie is reported as saying that the possibility of some disruption "cannot be discounted". But that falls well short of a threat, and the question anyway seems unlikely to arise unless and until the unions come to the conclusion that we are not going to increase the offers in a second round.

3. The CPSA appears to have decided to play it long. Their Executive's plan seems to be to leave a ballot for strike action until after their executive elections, and after their May conference. They may be calculating that this strategy both improves their own chances of re-election and, by delaying the ballot until local pay additions are about to go into payment, improves the chances of the ballot coming out the way they want.

C O N F I D E N T I A L

4. We have had a number of signals that the 10 per cent increase in London Weighting took the unions very much by surprise. Some of them at least see it as likely to reduce the possibility of industrial action quite substantially.

5. The next step is to have further meetings with the CPSA, NUCPS and (on London Weighting) the CCSU to take their formal reactions to the offers. The first of these, with the CPSA, has already been arranged for next Thursday. The other two are likely to take place early in the following week.

Grades 5 to 7

6. We also now have first reactions to the proposed Grades 5 to 7 agreement which we sent to the unions on Tuesday on a without prejudice basis. The understanding is that it will not become open unless and until the executives of at least two of them agree to recommend it to their members.

7. The IPCS executive has now decided to do so, voting in favour by 18 to 1 with 3 abstentions. Once the offer is declared open they will begin the process of consulting their members, with a view to completing this by their next executive meeting on 27/28 April.

8. As expected, the NUCPS executive have decided to recommend against. Whether their members will take the same view remains to be seen. They will be consulting them to much the same timetable as the IPCS. Helpfully they will be consulting only their members at these grades and not the full membership.

9. The FDA executive does not meet until next Wednesday. The signs are that they too will recommend acceptance, though possibly rather grudgingly. Their intention is to ballot their members, with the result being available for an executive meeting on 4 May.

C O N F I D E N T I A L

10. Assuming the FDA executive do come out in favour, we will make the offer an open one at the end of next week, or at the beginning of the week after. Meanwhile, perhaps rather surprisingly, as far as we know there have been no leaks about it. If there are any, IDT have been asked to take the standard line of not commenting one way or the other on the existence or detail of without prejudice offers.

11. As with the other long-term agreements at earlier stages, the open offer will be a provisional one with an "accept by" date on it. Ministers final agreement will be with held until the unions indicate acceptance.

12. I should also report a small revision to the costs of the agreement. In the final tidying up we discovered some rough edges which needed to be smoothed out, particularly in the transition from the existing interim performance point scheme to the new range of performance points. Our best estimate of the cost of the agreement in 1988-89 is now 5.7 to 5.75 per cent, slightly higher than the 5.65 per cent, reported earlier and mentioned in your minute to the Prime Minister but still within the 6 per cent limit to which we were working.

13. We have kept the major departments informed about where we are on all this. We will be circulating a draft message to staff and the usual background material next week.

14. There remain a number of quite difficult issues to be sorted out, including the handling and timing of offers for lawyers and Tax Inspectors. We are dealing with these separately.

CWK

C W KELLY



M P

FROM: MISS M P WALLACE
DATE: 7 April 1988

MR L G PAINTING

cc PS/Financial Secretary
PS/Paymaster General
Sir P Middleton
Dame A Mueller
Mr Culpin
Mr Kelly

Miss A M Rhodes
Mr Wilcon - IR
PS/IR

TAXATION OF CIVIL SERVICE MOTOR MILEAGE ALLOWANCE

The Chancellor was most grateful for your minute of 29 March. He has commented that this is an unsatisfactory state of affairs, but he notes from your third paragraph that both you and the Revenue will continue to give attention to this.

M P Wallace

MOIRA WALLACE

CONFIDENTIAL AND PERSONAL

*1 hour talks.
Pkg for a mtg
on Fri.
Memorandum, package
for PMS & Vins.
M.*

FROM: C W KELLY

DATE: 20 April 1988

1. DAME ANNE MUELLER

*Not available
discussed in draft.*

2. CHANCELLOR

Ch

cc: Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson / or Phillips
Mr Luce
Mr Odling-Smee
Mr Gilhooly
Mr Truman

*This looks a lounce.
(a) it seems v early to be
increasing basic offers to unions;
existing offer has hardly hit the
table; need to see reaction to
with teachers & Rovers Buis
(b) complete turnaround, & very
little justification, for 30%
increase in London Weighting*

CIVIL SERVICE PAY

We now need to make our next move on Civil Service pay. The situation is still fluid. But the pieces are beginning to come together and time is running out if, as seems sensible, we are to make our position clear before the NUCPS and CPSA conferences in the week beginning 9 May.

2. The current offers on the table are 4 per cent across the board to the NUCPS, 4 per cent or £5 per week whichever is the higher to the CPSA (equivalent to 4.3 per cent) and an increase in London Weighting of 10 per cent (adding 0.3 per cent to the total CCSU pay bill). We now propose:

i. To increase the offer to the NUCPS to something like 4½ per cent, but only if that that brings an agreed settlement and the beginning of long-term pay talks without preconditions.

ii. If we succeed on this, to make no increase in the offer to the CPSA.

iii. To make a further substantial move on London Weighting, possibly in a staged way.

RIG Allen

*London Weighting
AA*

NUCPS

3. The key to this is the NUCPS. The original offer of 4 per cent was designed partly to keep up the pressure on them to have serious discussions with us about a long-term pay agreement on our terms. We had envisaged being prepared to increase it slightly in a second and final offer, partly because this has been the pattern of recent years and has become something of an expectation, frustration of which could cause more trouble than it is worth, and partly as a token that we have actually been negotiating and are not just of making take it or leave it offers, paying no attention to what was said to us. We had not anticipated there being much chance of getting agreement on such an offer. The most we were hoping for was, I think, grudging acquiescence.

4. It now appears there may actually be a chance of reaching agreement with the NUCPS, if we are prepared to increase the offer to a little above 4½ per cent.

5. Leslie Christie has been putting out feelers from which I deduce that if we were prepared to increase the offer to something like this (he is actually talking about between 4½ and 5 per cent but we ought to be able to get him down to the lower end of this range), we could get a package involving:

- i. Recommendation of the offer by his NEC to the membership.
- ii. A settlement covering not just basic pay but also the important ADP (and also the accountancy) allowance.
- iii. Public commitment to beginning long-term talks. We have made little progress on this to date, despite the Concordat. The understanding would have to be now that we would begin immediately, to a timetable (eg with the intention of finishing them before the end of the year), and with no preconditions. The union side are in no doubt about the objectives we would be pursuing. But it would oblige them to begin talking about performance and geographical pay.

6. I have to confess that I am not entirely confident about Leslie Christie's motivation. But I am inclined to take it at face value, ie that despite conference motions against, and his own considerable reservations, he has concluded that he has to seek an accommodation with us about long-term pay and is likely to come under increasing pressure from his members, particularly if the Grades 5 to 7 deal is ratified.

7. The argument against trying to reach a deal of this kind is that those unions who have already settled with us have done so for 4 per cent from 1 April (though with further assimilation increases later in the year), that it goes against the grain and could put those unions' noses out of joint if we were to give the NUCPS more than that, and that it adds to the cost without giving us any guarantee that we will actually get a long-term agreement in terms which we will regard as satisfactory.

8. On the other hand, we had always envisaged being prepared to increase the offer slightly, we can live with upsetting the IRSF and others provided the amount involved is not too substantial, and $4\frac{1}{2}$ per cent or thereabouts could be a price well worth paying if we actually thereby achieved an agreement with the NUCPS about this year's pay. It would be seen in the outside world as quite an important pointer at a time when some other public sector settlements have been uncomfortably high; it would take the NUCPS off the field and rule out any possibility of them coming together again this year with the CPSA for a pay campaign even if Militant won the current election; and it would increase pressure on the CPSA to come to terms with us. If they wanted to, the NUCPS could do a fair amount of damage through industrial action, much more so than the CPSA, and there are a number of other potential trouble spots in prospect (LPAs, various computer projects and so on).

9. I have agreed to see Leslie Christie again next Monday, before NEC meetings he has on Tuesday and Wednesday. If you agree I should like to try to negotiate an agreement with him along the

lines described above. This would, of course, be entirely on a without prejudice basis unless and until he can deliver his NEC.

The CPSA

10. There is virtually no chance of reaching an agreement on similar lines with the present NEC of the CPSA. It has been an important part of our strategy to demonstrate to the CPSA membership that the Militant approach to pay bargaining (massive claims backed by threats of all out strike action and refusal to contemplate long-term pay agreements incorporating any of the features which we regard as important) do not pay dividends, while at the same time not pitching our response so low that it inflames the situation. The current offer of 4 per cent or £5 per week is framed partly with this in mind. As with the NUCPS, we had envisaged being prepared to consider increasing this by a little in a second and final offer, but not by very much.

11. The possibility of a deal with the NUCPS puts rather a different complexion on this. Part of the case that will have to be made to the NUCPS membership is that it is only by reaching agreement with us that any more money can be put on the table. We do not want to undermine that. Moreover, if the NUCPS are taken off the field that both makes it easier for us to be robust with the CPSA and increases the pressure on them to come to terms. For these reasons we are strongly tempted to make no increase on our current offer for the time being, without actually taking the further step of imposing it.

12. Even without imposition this will undoubtedly be regarded as highly provocative, and will raise the temperature accordingly. It will be the first time that we have made no advance in our second offer since pay research was abandoned. It will therefore need extremely careful handling. We are also considering whether there is anything we can do to show a little bit of flexibility on our part. One possibility, for example, might be to leave the 4 per cent unchanged but to increase the £5 to, say,

£5.25 or £5.50. We are also discussing a technical point with the CPSA which could save us money which could be redistributed to the pay scales so as to leave the net cost of the offer unchanged. The presentation of this is, however, complicated by the fact that the actual cost of the offer is, as you know, a little above 4 per cent (4.3 per cent), because of the underpinning.

13. If we are to deliver a message of this sort to the CPSA, it is important that we should do so before their conference and to their current executive. We would also, I think, have to recognise that it might be difficult to refuse if a new (moderate) executive came to us after the conference and asked for a settlement along similar lines to that reached with the NUCPS.

London Weighting

14. The only part of our initial offer to the unions which took them by surprise was the 10 per cent increase in London Weighting. They had not expected us to move so quickly on this, and they had expected us to offer rather less, concentrating any money which was available on LPAs.

15. Even so, they have now rejected it on the grounds that it is too far below their claim (100 per cent), fails to take London Weighting far enough towards the amounts now being paid by some of our private sector competitors in the labour market, and looks less impressive in absolute than in percentage terms because of the base from which we start (though it still amounts to £3 per week in Inner London, compared with the £5 of the basic CPSA offer).

16. Despite our earlier advice, our view now is that some further substantial increase in London Weighting is called for. Our reasons are as follows:

i. Most of the major departments, other than the territorial ones, have indicated that this would be their priority area for putting any cash which was available. There is still time to alter their LPA planning if necessary.

ii. It is in London and the rest of the South East that major recruitment and retention problem exists. The London Weighting zone accounts for two-thirds of all non-industrials in the South East.

iii. It would be consistent with our overall strategy on geographical pay.

iv. Although I would not be suggesting it for this reason alone, it could also have the incidental advantage of taking some of the sting out of the unions' campaign against LPAs, which they quite rightly see as a stratagem on our part to keep down the amount of London Weighting which we would otherwise have to pay. I do not think the fact that we are now proposing a substantial increase in London Weighting vitiates that. Without LPAs we could well be proposing a larger one.

17. To make a significant impact on recruitment and retention, and on staff morale, probably requires a figure of the order of £2000 in Inner London (compared with the present £1527 and current offer of £1680). This would bring us more into the middle of the range of what is now paid by private sector employers, though still well below the £3000 or more paid by some banks and building societies.

Ms. 18. This would, of course, be unwelcome for Mr Moore who is stuck at a low London Weighting increase (5½ per cent) for all NHS groups from 1 July 1987; but that pressure will be eased somewhat by the proposed new London Allowance for nurses. We would consult DHSS officials before sounding out Jones and Christopher.

19. The major problem, as always, is one of cost. I reported in my earlier submission that, with the important exceptions of DHSS and MAFF, most of the major departments could probably live with increases this year in the CPSA and NUCPS pay bills of up to 5 per cent, though with the pressure becoming greater the closer to 5 per cent we get. The offers already on the table add up to 4.4 per cent (4.5 per cent including the cost of London Weighting to other grades). Increasing the NUCPS offer to $4\frac{1}{2}$ per cent would take the total cost to 4.6 per cent (4.7 per cent in total), even if we made no move at all on the CPSA offer. Anything more we did for the CPSA would add further to the bill, and, on top of that, we cannot discount altogether the possibility that we might have to concede further increases before the end of the year as part of assimilation to new pay agreements if we managed to negotiate a satisfactory basis for that. We would naturally try not to concede this, or if we had to, to push it as close as possible to the end of the year. But we could be faced with some difficult decisions in the autumn.

20. Increasing London Weighting to £2000, if implemented from 1 April, would mean a total increase of 30 per cent, taking the total cost of the package which would then be on the table to 5.4 per cent (5.8 per cent including the whole of London Weighting). This would clearly be too much for many departments to bear.

21. One way around this difficulty would be staging. If, by way of example, we stuck with the existing 10 per cent offer from 1 April but increased it to say £1850 on 1 October and £2000 on 1 April next year the total cost of the package would be reduced to 4.8 per cent this year and 0.8 per cent next (5 per cent and 0.8 per cent including London Weighting to other grades).

22. We could also play various tunes by, for example, only giving the 1 October increase to staff who have been, say, two years in post (as some other employers have done), excluding support

grades altogether, or turning it into a graduated payment related in some way to salary. We are doing further work on this.

23. There would of course be no question of making any kind of offer of this kind unless the CCSU had agreed before hand to reach settlement on this basis. They are currently talking about the possibility of asking for arbitration. They would clearly have to drop that if we were to have a deal.

24. I have arranged to see Tony Christopher and Peter Jones privately next Monday to discuss the way forward, without, of course, giving any indication that there is any possibility of doing anything other than sitting pat on our present offer. If we were to offer nothing new, there is a chance that they will pursue the request for arbitration. If they stick with their current claim, the difference in cost between that and our offer (£130 million) may still be large enough to allow the Secretary of State for Employment to turn the request down on public expenditure grounds. But that is his decision not ours, and it would be more difficult to argue than on the last occasion we refused access to arbitration on the 1985 pay deal when a much large amount was involved and when the public finances were in a less healthy state. If the unions had any sense, they would make it more difficult for us by reducing their claim to a more reasonable level before putting in the request.

25. RCM have no particular comment to make at this stage on what is proposed for the NUCPS and CPSA, except it moves the total cost much closer towards what most major departments will be able to afford. But they are concerned about the cost of the proposed increase in the London Weighting offer. Even if staged, this would have substantial effects this year which could create problems for existing running costs as well as effects next year which when added to the possibility of further additions for new long-term pay deals and the consequences of levels surveys this year and next could make running costs increases in 1989-90 embarrassingly high.

Conclusion

26. As always, there are some difficult judgements to be made. The basic questions are:

i. Do you agree that the advantages of reaching agreement with the NUCPS about this year's pay claim and committing them firmly to negotiate about long-term pay without preconditions justify being prepared to increase their offer to around 4½ per cent? In my judgement it does.

ii. Per contra, do you agree that we should make no increase at all in our offer to the CPSA, despite the provocation that would cause, even to the extent of a modest increase in the flat rate which would allow the 4 per cent to remain undisturbed? If so, how should we best deliver this message? I find this much more difficult to judge. But one possibility would be not simply to deliver a flat footed response that there was no further increase and that was that, but to deliver a more complicated message to the effect that we have made an increased offer to the NUCPS because they were prepared to reach an accommodation with us, that we have not increased our offer to the CPSA because they have shown no signs of coming to a similar accommodation with us, but that we do not necessarily regard that as the end of the matter and that we regarded negotiations as still being in progress (with the implication that we were waiting until after the results of the CPSA NEC elections were known). If we did do this, it would probably be inevitable that we would then have to be prepared to increase the offer to the CPSA if they did decide post-conference to recommend a similar settlement to their members.

iii. Do you agree that a further substantial increase in London Weighting would be appropriate, perhaps staged as suggested, despite the pressures that the accommodation of this and increases in the basic offers proposed or possible

could cause for departmental running costs? In my view it is, though I can quite see that it is possible to take a different view.

27. You may want to discuss. It would be helpful to have a steer before the weekend. I apologise for the short time this allows. It was only yesterday that the bits of the possible package began to come together.

28. I imagine that you will not want to consult colleagues generally again, with the exception of the Prime Minister. I would be happy to provide a draft minute for this purpose, unless you prefer to raise it with her orally.



pp. C W KELLY

CONFIDENTIAL AND PERSONAL

I agree. I think it is very important to carry the main spending departments along with us, especially when the revised offer is very much on the limits of affordability.

FROM T R H LUCE
21 April 1988
Room 55/G
Ext 4544

- 1 MR ANSON
2 CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Paymaster General
Sir P Middleton
Mr Kelly
Mr Odling-Smee
Mr Gilhooly
Mr Truman

Dame A. Mueller
Mr Philips

VA
2 1/4

CIVIL SERVICE PAY

In paragraph 25 of his submission of yesterday, Mr Kelly records my particular concern about the running cost implications of the proposed increase in London Weighting.

2 Mr Kelly has consulted officials of the main departments on the general shape of a revised offer though not on the particular numbers he now recommends. I think it important that their Ministers should be informed of the offer now proposed. We shall otherwise be more vulnerable to claims for running cost increases this year.

3 Staging the London Weighting increase would defer some of the running cost pressures into 1989-90, for which we already expect high pay-related bids in the 1988 Survey. If the Prime Minister is to authorise the new and very much higher London Weighting offer other Ministers should have the opportunity to make any points they wish to about its expenditure effects. We would therefore prefer your submission ^{to the Prime Minister} to be copied to those Ministers who received your submission on the opening offer.

TRH

T R H LUCE



Ch/
London weighting for
TEACHERS - £309,795,
1215, by zone. IAC recommends
+ 7½ per cent, which Mr
Baker accepts.

NURSES - pan-London rate
of £930. Staff side offer
of + 5½ per cent on table
(negotiated via Whitleys)
but staff holding out.

mpw.

CONFIDENTIAL AND PERSONAL *mpf*

FROM: MRS R CHADWICK
DATE: 21 April 1988

PS/CHANCELLOR

*(CST may or may
not make into)*

cc PS/Chief Secretary
Sir P Middleton
Dame Anne Mueller
Mr Anson
Mr C W Kelly
Mr Luce
Mr Odling-Smee
Mr Gilhooly
Mr Truman

CIVIL SERVICE PAY *mpw*

The Paymaster General has seen Mr Kelly's minute of 20 April.

2. The Paymaster doubts if an increased offer to the NUCPS could be held to 4½%. He thinks that much hangs on the 'only' in para 2(i), but it does not seem sensible to come to a conclusion until the immediate dust has settled on today's announcement.

3. Finally he has commented that all the arguments for LPAs and against London Weighting still stand. He realises the degree we are astern on London Weighting since 1982, and we were of course enlarging this problem for ourselves, but LPAs are a more selective way forward. Has the 10% rise in London Weighting given the wrong message on our intentions, and the impression that we can be pushed on it?

MINISTER IMMEDIATE

REC

MRS R CHADWICK
Assistant Private Secretary



FROM: MISS M P WALLACE

DATE: 22 April 1988

MR C W KELLY

cc PS/Chief Secretary
PS/Paymaster General
Sir Peter Middleton
Mr Anson
Dame A Muelle
Mr Luce
Mr Odling-Smee
Mr Gilhooly
Mr Truman
Mr R I G Allen

CIVIL SERVICE PAY

The Chancellor and Paymaster General discussed your submission of 20 April with you, Sir Peter Middleton, and Messrs. Anson, Luce, Gilhooly, Truman, and Allen.

2. It was agreed that you should indicate to NUCPS that the Chancellor might be persuaded to increase the offer to something like 4½ per cent, but only if Mr Christie could get his executive to recommend the offer, and make a public commitment to starting talks on long term pay, without pre-conditions.
3. It was agreed that there would be no increase in the offer to the CPSA. If the CPSA expressed serious interest in a long-term pay deal, Ministers would consider this separately.
4. It was agreed that there should not be any increase in the offer on London weighting. For next year there was a case for giving early consideration to the appropriate balance of the opening offer between London weighting and basic pay.
5. We have confirmed with No 10 that the Prime Minister is content with this approach.

A handwritten signature in dark ink, appearing to read 'M. P. Wallace'.

MOIRA WALLACE

*OK this I have
and no background of history
Press office*

FROM: C W KELLY
DATE: 26 APRIL 1988

CHANCELLOR

cc Chief Secretary
Paymaster General
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Luce
Mr Odling-Smee
Mr R I G Allan
Mr Gilhooly
Mr Truman
Mr Graham
Mr Flitton

*Any/ Pay need to know
pretty much first thing if
you do not approve his draft
letter behind. It is not ideal,*

CIVIL SERVICE PAY: NUCPS

*clearly, but at least we have not pushed
above 4 1/2. Chris Kelly thinks that
if we unwind the agreement on the text of*

Since your meeting on 22 April, I have had further meetings with Leslie Christie and he with the NUCPS executive.

2. It now looks as if we have an agreement along the lines indicated, that is an increase in the offer to 4 1/2% on the basis that the NUCPS executive will recommend that to the membership and that talks about long-term pay will start immediately without pre-conditions. This is still, of course, ad referendum to you and to a final check tomorrow morning that the NUCPS executive have not got cold feet overnight.

3. If you agree, subject to this final check, we will tell departments early tomorrow morning and issue a press notice and so on at 3.30 pm tomorrow afternoon. It seems as well to get ahead with the announcement as quickly as possible to anticipate the possibility of a leak.

4. The NUCPS will put the agreement out to ballot immediately after their conference which is in the week beginning 9 May.

5. I attach copies of the exchange of letters which I have agreed with Leslie Christie, and current drafts of the press notice (agreed with IDT) / message to staff and background briefing which will be provided to departments.

*letters Christie
will pull out.*

CWK
C W KELLY

now 26/4

Leslie Aristie Esq
General Secretary
National Union of Civil and Public Servants
124/130 Southwark Street
LONDON
SE1 02U

27 April 1988

1988 PAY

We have had further discussion of your pay claims for executive grades since my letter to you of 29 March.

In the course of these discussions you indicated that, despite the reservations which the NUCPS has about some of the features of similar agreements covering other grades in the Civil Service, you were willing to enter immediately after your conference into discussions with us about a long-term pay agreement without any preconditions on either side and with the aim of reaching agreement by the end of the year. We agreed that one of the issues to be addressed during our talks about a long-term agreement would be the phasing of changes, including changes in pay rates, resulting from it and that if the talks reached a mutually satisfactory conclusion, the possibility of a further pay adjustment before the end of the financial year was not precluded.

For my part, I said that we stood ready to take these talks forward, as we have been for some time, on the clear understanding that the talks will cover not only arrangements for a stable long-term system for pay determination but also the Government's declared objectives for more flexible pay, including pay related to performance and location. I made clear, however, that we would not necessarily be seeking a carbon copy of other agreements. Our objective is an agreement tailored to the needs of the grades it would cover.

In the light of these developments, and on the understanding that your national executive will be recommending it to your members, I am now able to revise the offer in my letter of 29 March to an increase of 4½% on basic pay rates and ADP, accounting and

other allowances currently payable to executive grades, from 1 April 1988. The increase in full-time adult basic pay rates will be underpinned at £5 a week if that is higher.

This offer does not affect those grades for which there are agreed separate arrangements for determining pay by reference to a group of staff outside the civil service. I also confirm that, in accordance with past practice, we will be ready to authorise departments to approve increases in line with those eventually agreed for staff in those bodies whose pay customarily follows that in the Civil Service.

I should be grateful for your confirmation that this letter accurately reflects the agreement we have now reached.

CWK

I refer to your letter of ().

I must report the disappointment expressed by the Council at the offer to the executive grades, which falls well short of the union's claim. The Council has accepted, however, that no further improvements are obtainable, and will therefore be recommending to the union's Annual Conference that agreement be reached on the basis of the offer set out in paragraph 4 of your letter.

This is, as I am sure you will understand, without prejudice to our contention that rates of pay for executive grades, as a result of this and previous years' awards, are now significantly lower than the pay rates for comparable jobs in outside industries. We shall wish to pursue this point with you in the context of future negotiations for these grades.

The Council accepts your offer of negotiations on a long-term agreement for executive grades, and confirms that these will be without preconditions on either side. You will be aware of the position taken by the NUCPS towards the issues of flexible pay, location pay, and pay related to performance. These issues will be the subject of a major debate at the forthcoming Conference, which will of course inform our approach to the negotiations.

27 April 1988

1988 NON-INDUSTRIAL CIVIL SERVICE PAY

The Treasury today made an improved pay offer to executive grades after further negotiations with the NUCPS. The NUCPS Executive has agreed to recommend its members to accept.

- an across-the-board increase of 4.5 per cent for all EOs, HEOs and SEOs *from 1 April*
- 4.5 per cent on ADP and other allowances.
- an immediate start to talks on a long term flexible pay deal. There are no preconditions on these talks. The aim is to ~~finish~~ *complete* them by ~~Christmas~~ *the end of the year*.

No agreement has yet been reached with the CPSA. ~~Discussions with them have not yet been concluded.~~ The offer still stands at £5 a week (or 4% if that is greater) for adults in the clerical, secretarial and typing grades. Staff on 16 and 17 age points are offered £4 a week.

31/88

Press Office
Hm Treasury
Parliament Street
London SW1P

Notes for Editors

1. The number of staff covered by today's offer to the NUCPS is 110,000 in the executive grades.
2. The costs of these proposed increases will be met from within running cost limits set.

3. Long term flexible pay agreements have already been negotiated with (name unions here).

BACKGROUND BRIEFING**What is the agreement?**

See exchange of letters. 4½ per cent on all pay points of scales for the executive and related grades; and on allowances. NUCPS National Executive unanimously recommending acceptance.

What was the claim?

15 per cent.

How many staff are covered/cost?

Approximately 110,000 staff. Cost of basic rates increase is £55m. To be met from within running cost limits set: no addition to running costs being made.

What about other NUCPS grades (support grades)?

Already settled, to 31 March 1989 under support grades settlement of 1 January 1988. (Negotiated with Civil Service Union before it merged with the Society of Civil and Public servants to form NUCPS at the beginning of the year.)

NUCPS agreeing to start immediate talks on long-term pay flexible agreement, despite their opposition to Government's policy to introduce performance pay, geographical pay?

Yes, and on basis that no subject ruled out. Aim by both sides is to complete talks by end of 1988.

Very poor increase compared with other civil service unions?

Unions getting more than 4 per cent during course of this year have signed up to flexible long-term pay deals, giving important advantages for management of civil service.

Means NUCPS could get more money later this financial year?

No such undertaking or commitment ~~in today's offer.~~ *but not*

included of LTFPA Warrant 2.

What if deal rejected?

~~Clear that~~ NUCPS Executive ~~expects acceptance, since~~ recommending unanimously. But if rejected, offer falls.

Increase for NUCPS compares badly with nurses, etc?

- Nurses special case - most important ~~grading~~ *structural* changes for 40 years.
- NUCPS increase similar to school teachers' increase proposed by Independent Advisory Committee report published 19 April [4.3 per cent, plus 0.4 per cent for incentive payments.] Similar, too, to increase for senior civil servants covered by TSRB. ~~[staged, giving 4.7 per cent in 1988-89.]~~

State of play other Civil Service unions?

- NUCPS support grades: see above.
- IPCS, IRSF. Increase 4% from 1 April, but some more to come, arising from long-term arrangements negotiated last year.
- TSRB decisions announced last Thursday (21 April). 4 per cent from 1 April, 1.4 per cent from 1 October.
- Grades 5 to 7: FDA balloting, IPCS, NUCPS consulting members on long-term pay Agreement [details: see earlier briefing]. Outcome should be known next week. Involves 4 per cent from 1 April, further increases from 1 October on assimilation to new pay spine and introduction of new performance pay arrangements. Cost in 1988-89, 5¼ per cent.

CPSA? Increasing offer to them too?

Offered ~~ed~~ £5 a week (or 4 per cent if greater) from 1 April. Offer made 29 March. ~~Negotiations continuing.~~ *Still stands.*

London Weighting?

Generous

- Increase of 10 per cent offered 29 March to Council of Civil Service Unions. ~~Negotiations continue.~~ (Offer would increase present inner London rate from £1527 a year to £1680 a year).

Local Pay Additions?

- Aim is to introduce Local Pay Additions from 1 June this year. Likely to be confined to staff in recruitment grades, and aimed selectively at particular recruitment and retention difficulties. Maximum payment £600 a year. Expect to be concentrated in London and South East.
- CCSU, after lengthy negotiations last autumn, rejected offered agreement on guidelines for scheme.



MP

FROM: MISS M P WALLACE

DATE: 27 April 1988

MR C W KELLY

Ch
This was
duly announced
today. I spoke
to RIGA to say
important to give
it a good push.

- cc PS/Chief Secretary
- PS/Paymaster General
- Sir P Middleton
- Mr Anson
- Dame A Mueller
- Mr Luce
- Mr Odling-Smee
- Mr R I G Allen
- Mr Gilhooly
- Mr Truman
- Mr Graham
- Mr Flitton

CIVIL SERVICE PAY: NUCPS

AA ✓

The Chancellor has seen your minute of 26 April, and is content with the agreement and the exchange of letters you propose. He had a number of amendments to the press notice and background briefing, which I passed on to Mr Graham in manuscript.

M P Wallace

MOIRA WALLACE



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-270 3000

Direct Dialling 01-270 4579

Mr Kelly
 Mr Mountfield
 Mr Tyrie
 Mr Chivers
 Mr PAF Davis
 Mr Gilhooly
 Mr Fox
 Mr Denison
 Mr Ransford

A P F Bache Esq
 Foreign and Commonwealth Office
 LONDON SW1A 2AH

28 April 1988

Dear Andrew

CONDITIONS OF SERVICE IN THE DIPLOMATIC SERVICE

As promised I am writing in order to set out the basis on which we would propose to respond to the package of proposals originally set out in the Foreign Secretary's letter to the Chancellor of 10 September 1987, on which the Chief Secretary to the Treasury has authorised me to pursue discussions with you ad referendum.

The main thrust of your proposals - and of our response to them - concerns staff serving in the most uncivilised and unpleasant places in the world. You have also pressed us to consider the extra work performed by junior staff, mainly in the form of unpaid overtime, in a large number of overseas posts. These officers do not have any formal responsibility for representational duties and consequently do not receive associated benefits and allowances. There are a number of other items in your package - and although you attach importance to these I think it would be fair to say that they are of a lower priority; but I shall return to these later.

Our own approach has as you know been to look first at the additional benefits already received by your staff overseas as compared with what they receive when working in London. Leaving aside for a moment the various "one-off" payments and interest-free advances of salary, there are certain immediate benefits which accrue on being posted overseas in the shape of Diplomatic Service Allowance and the basic uplift in Cost of Living Addition. For example, the net disposable income of a single Grade 10 officer, aged 21, serving anywhere overseas, is at least 33 per cent higher than when in London. A further 11 per cent is added for Group 1 difficult posts. For a married Grade 9, aged 21, the basic percentage addition is 49 per cent, with a further addition of 18 per cent for Group 1 posts, making 67 per cent in all.

The increases that we have been discussing in respect of the most difficult posts are described in detail in Annex A. They represent, for staff in Group 1 posts, a further net percentage

increase on net basic pay in London of 16 per cent for single Grade 10s (as above) and 17 per cent for married Grade 9s. Additionally, pay supplements for junior staff in all posts as described in Annex B would add a further 7 per cent and 4 per cent respectively. In total, the various enhancements would average 66 per cent for single Grade 10s and 88 per cent for married Grade 9s in all Group 1 difficult posts. These are of course averages, and it would be possible for staff in certain exceptionally difficult posts to receive more than the amounts quoted above. In certain instances they will no doubt receive double the net pay they would receive in London.

I have to say that I consider such improvements to be very generous and that they may be difficult to defend in presentational terms. Nevertheless in looking at difficult posts, junior staff and security I recognise the force of the arguments advanced by your Secretary of State and supported by the Prime Minister. If I feel obliged to be less forthcoming in respect of your other requests, I hope you will recognise the context in which I do so. Furthermore, in looking at these other aspects such as start-up costs and children's visits, we have hitherto taken the view that Diplomatic Service Allowance was itself created in order to deal, at least to some extent, with such contingencies.

On extra leave journeys to UK from distant posts, we have noted that these are the more comfortable places like Japan and Australia, and that there is no sense in which you are claiming that individuals need to get away for an extra break beyond the local leave provisions already built into the system. We realise that it is more difficult to save up enough money to come back to UK for mid-tour leave from such distant countries, but we are bound to question whether priority should be accorded to finding extra public funds to provide free journeys back to UK.

Similarly, with 18-21 year old children we recognise that a larger proportion of these may now be unemployed or undergoing vocational training. But we would question whether this of itself makes it necessary to give them publicly funded journeys to join their parents overseas; and this being so we would see arguments against giving those in full-time education a further benefit by giving them two free trips a year rather than one.

On start-up costs, we have demonstrated that increases already granted in recent years have more than kept pace with the purpose for which the existing allowance was created. Along with breather visits, we feel that the discretionary allowances and other improvements to allowances described in Annexes A and B attached provide a sufficient opportunity for you to direct specific help where it is most needed.

The cost of providing for nursery education of children overseas was always assumed to be very modest but as you know this is an area where we felt it would be extremely difficult to avoid expensive repercussions in the Armed Forces and Home Civil Service. We would find it difficult to accept that the existing child provision in COLA contains no contribution at all for nursery education at something like the level actually received in UK. The 'gap' in the present arrangement relates to places where

the cost of local nursery school education is disproportionately high in relation to the overall COLA. We think that we can arrive at an accommodation with you here, however, and that the costs can be considered de minimis.

This brings me finally to the question of overall costs. Although a number of details still need to be settled it is clear that the total cost of the package described in this letter will be about £1 million. As I have explained, I think the Chief Secretary may be amenable to your introducing the changes quickly if you can meet the costs in 1988-89 from within your existing Running Costs provision, leaving the question of later years for discussion in the context of this year's Public Expenditure Survey.

Yours ever

Laurie

L G PAINTING

DIFFICULT POST ALLOWANCE

1. The rates of allowance to be based on the mean of an officer's salary scale plus Inner London Weighting subject to maximum for Grade DS4 and a minimum of Grade DS6.

	married accompanied officers	single and married unaccompanied officers
Group 1	12 per cent	6 per cent
Group 2	8 per cent	4 per cent
Group 3	5 per cent	2½ per cent
Group 4	2½ per cent	1¼ per cent

2. The above rates would still be certified by Treasury as free of income tax under Section 369, ICTA 1970.

Discretionary special needs payments

3. Additional, taxable supplements to DPA in recognition of exceptionally difficult and deteriorating circumstances and conditions at posts. Payments would be made at management discretion and would take into account, where appropriate, the desirability on management grounds for authorised leave out of the region.

4. The total sum of money to be available for this purpose should not exceed £1000 a head for all Diplomatic Service staff (and those on DS terms funded by FCO) in DPA Group 1. No limits or restrictions will apply to individual discretionary payments. However all staff at a given post would be expected to receive the same amount and the scheme by definition, should normally apply only to Group 1 posts.

5. The discretionary payments scheme will replace the existing arrangements for payment of Special Difficult Post Allowance.

PAY SUPPLEMENTS FOR JUNIOR STAFF

1. Pay supplements for junior staff to be introduced in recognition of changed working practices and circumstances in recent years, and primarily in respect of an all hours worked liability overseas which precludes payment of overtime rates and on-call allowances.
2. Supplements would be paid on the following basis:
 - DS Grade 9 - £400 a head
 - DS Grade 10 - £600 a head
 - Secretarial Grades - £600 a head.
3. Pay supplements to Secretarial Grades will subsume the existing arrangement for payment of SOSPA.
4. Pay supplements will cease on detached duty or permanent transfer to the United Kingdom.
5. The above amounts will remain subject to review.

*1 can continue
 proceed as per
 both parts of para
 12, give unanimous
 for acceptance + unanimous
 talks + 2/28/88
 with LIFPA
 for 15 min + 15 min
 CPSA us. M. * of para
 approval*

FROM: C W KELLY
 DATE: 28 April 1988

CHANCELLOR

cc PS/Chief Secretary
 PS/Paymaster General
 PS/Sir P Middleton
 Dame Anne Mueller
 Mr Anson
 Mr Luce
 Mr Odling-Smee
 Mr Gilhooly
 Mr Truman
 Mr R I G Allen

*Ch/Most of this you already
 know. New arithmetic
 at para 7, and decisions
 at para 12.*

CIVIL SERVICE PAY: CPSA

28/4

Following our discussion this afternoon, I have as agreed told John Ellis that one way of structuring a 4½ per cent offer would be £5.40 and 4¼ per cent, taking credit also from the saving from the performance entry point. I reiterated that this was simply a piece of arithmetic. I was not making an offer. I had not been able to speak to you and did not know that I would want to recommend it to you anyway. But if he were to tell me that his executive was prepared unanimously to recommend an offer along these lines, and to make the same declaration about long-term pay talks as the NUCPS, we would certainly be prepared to consider it.

2. I have not unfortunately been able to speak to Lesley Christie. But I have spoken to John Sheldon, his deputy. Sheldon's view is that a deal along these lines would be helpful for the NUCPS conference rather than otherwise.

3. We have also given further thought to what the CPSA Executive's motivation might be, if it turns out that they really are prepared to recommend such a deal. We are still not entirely sure about it. But our feeling (and for what it is worth John Sheldon's also) is that they have now given up on the prospect of being able to mount industrial action this year, doubt that they can now do much to undermine the NUCPS deal and have decided

therefore to get whatever limited advantage they can from delivering something to their members after 12 months in control. In the longer term they may see this as a way of starting to repair the rift between the NUCPS and CPSA caused by the events of last year.

4. This last ought to give us pause for thought. We do not want to get the two unions into a consortium again if can avoid it, either for immediate bargaining purposes or for the negotiation of a long-term pay agreement. But if Militant are re-elected to the CPSA executive we doubt that there is much chance of a consortium happening anyway; and if they are not, a new moderate CPSA executive will be trying to heal the breach with the NUCPS anyway. Whether we conclude a pay deal before or after the conference will not affect that.

5. The only other explanation we can think of is the one we discussed at your meeting, the possibility that they would only be making a recommendation in the expectation their conference will throw it out, thinking that having then flushed out an extra 0.2 per cent from us they are in a stronger position in subsequent negotiations. This is obviously a possibility. But we tend to doubt that it is the real reason. Even if it were, and if events unfolded as they expect, they would still have nowhere to go after the conference.

6. Against that risk, if we did conclude a deal now, particularly one including a figure of $4\frac{1}{4}$ per cent, that would both be helpful to the NUCPS and a good signal, for example in helping with the teachers, about whom Mr Baker is consulting now, and with the NHS non-review body groups who are beginning negotiations now against the background of a very large increase given to the nurses.

7. The arithmetic works out as follows:

- (i) 4 per cent underpinned at £5.00 costs 4.3 per cent.
- (ii) Bringing in the savings from the PEP and increasing the total cost to $4\frac{1}{2}$ per cent allows us to offer $4\frac{1}{4}$ per cent underpinned by £5.40.

(iii) Alternatively we could move to £5.50 if we restricted the percentage increase to 4.2 per cent.

8. From the point of view of presentation to staff, there is a lot to be said for the third option. But £5.50 and 4.2 per cent sounds like rather a bigger move than £5.40 and $4\frac{1}{4}$ per cent and our instinct is to try to press for the latter if we can.

9. For the same reason, if he knew that £5.50 was likely to be available, I would expect John Ellis to prefer that. And if £5.50 were the only way of getting a deal, providing the total cost remained at $4\frac{1}{2}$ per cent, I would still judge that to be acceptable.

10. The CPSA executive has now adjourned. They are reconvening tomorrow morning. It is still not clear which way they will jump. The deal may still founder either because the militants cannot swallow the amount, or because they cannot bring themselves to accept the NUCPS formula on long-term talks. But if a deal does look as if it is in prospect, ^{and} we judge it right to close before the conference, I would prefer to do so right away rather than to let the militants have time for second thoughts over the long weekend.

11. ^{In} the press presentation, we shall be asking IDT to stress the percentage increase rather than the flat rate (even though about two-thirds of staff will be getting the flat rate). For the message to staff next week, however, we will probably want to include the $4\frac{1}{2}$ per cent overall cost figure.

12. John Ellis is likely to come back to me fairly early tomorrow morning. It would be helpful to know before then:

- (i) Whether you agree that we should try to conclude a deal, if that seems possible, now rather than wait until after the conference and
- (ii) if so, whether you agree that we should try to settle on £5.40 and $4\frac{1}{4}$ per cent, but be prepared if necessary to move to £5.50 and 4.2 per cent within the same overall $4\frac{1}{2}$ per cent cost.

Moir WZUllace

RP

C W KELLY

CONFIDENTIAL AND PERSONAL

mp

*CL/ Briefing behind
Still no word
at 1.30.*

FROM: J F GILHOOLY
DATE: 29 April 1988

APS/CHANCELLOR

cc: PS/Paymaster General
PS/Sir P Middleton
Dame Anne Mueller
Mr Anson
Mr Kelly
Mr Graham
Mr Flitton

*Thanks.
One or two
points passed.*

*mpw
29/4*

passed on. mp

CPSA

As agreed, I attach the letter to John Ellis, press notice and IDT briefing we have prepared on a contingency basis. **If we do have a deal, we shall want to go live on it at once.**

J F GILHOOLY

encs

29 April 1988

1988 NON-INDUSTRIAL CIVIL SERVICE PAY

After further negotiations with the Treasury, the CPSA National Executive is recommending the following increases to its members from 1 April for clerical, secretarial and typing grades:-

X - 4¼ per cent for all full-time adult staff (or £5.40 a week if that is greater);

[unless we move to fall back, of course]
- £4 a week for staff on 16 and 17 age points;

- 4½ per cent in ADP and other allowances;

- resumption of talks on a long-term flexible deal. There are no preconditions on these talks. The aim is to complete them by the end of the year.

32/88

Press Office
HM Treasury
Parliament Street
London SW1P

Notes for Editors

1. The number of staff covered by today's offer to the CPSA is 212,000.
2. The costs of these proposed increases will be met from within running cost limits set.
3. Long-term flexible pay agreements have already been negotiated with the IPCS and the IRSF. Unions are consulting their members on the provisional agreement for staff at grades 5-7.

need a note on NUCPS? — ym

BACKGROUND BRIEFING

recommended offer?

What is the agreement on 1988 pay?

4 1/4 per cent (or)

See message to staff/press notice. (£5.40 a week for adults ~~(or~~ ~~4 1/4 per cent~~ if greater); £4 ^{a week} for staff on 16 and 17 age points; and 4 1/2 per cent on allowances for CPSA grades. CPSA's National Executive unanimously recommending acceptance.

What was the claim?

£25 per week, minimum wage of £134 a week, abolition of incremental scales.

How many staff are covered/cost?

Approximately 212,000 staff. Cost of basic rates increase is £60m. To be met from within running cost limits set: no addition to running costs being made.

CPSA agreeing to resume talks on long-term pay flexible agreement, despite their opposition to Government's policy to introduce performance pay, geographical pay?

Yes, and on basis that no subject ruled out. Aim is to complete talks by end of 1988.

How much is the deal with the CPSA worth overall?

4.5 per cent.

How does it compare with 1987 deal?

Last year's final offer was followed by second-largest ever Civil Service strike and put into payment unaltered after the industrial action ended. It was 4 1/4 per cent, or £5.75 a week if that was greater.

[For symmetry with X above]

So Militant-dominated executive is recommending a settlement lower than last year's?

Yes.

[Indeed they asked for this settlement] this emerges following an approval made by them

Very poor increase compared with other civil service unions?

Cost exactly same as for NUCPS Executive grades. Unions getting more during course of this year have signed up to flexible long-term pay deals, giving important advantages for management of civil service.

Means CPSA could get more money later this financial year?

No such undertaking or commitment, but not precluded if long term flexible pay agreement warrants it.

What if deal rejected?

CPSA Executive recommending unanimously. But if rejected, offer falls.

State of play other Civil Service Unions?

See earlier briefing.



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-270 3000
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DRAFT

Chris Kelly
Under Secretary

John Ellis Esq
General Secretary
Civil and Public
Services Association
215 Balham High Road
LONDON
SW17 7BN

29 April 1988

1988 PAY

We have had further discussion of your pay claims for clerical, typing and secretarial grades since my letter to you of 29 March.

In the course of these discussions you indicated that, despite the reservations which the CPSA has about some of the features of similar agreements covering other grades in the Civil Service, expressed in the exploratory talks we have already had with you, the CPSA nevertheless is now prepared to undertake further talks about a long-term flexible pay agreement immediately after its conference, and without preconditions. The aim would be to reach agreement by the end of the year. We agreed that one of the issues to be addressed during our talks about a long-term agreement would be the phasing of changes, including changes in pay rates, resulting from it and that if the talks reached a mutually satisfactory conclusion, the possibility of a further pay adjustment before the end of the financial year was not precluded.

For my part, I said that we stood ready to take these negotiations forward, as we have been for some time, on the clear understanding that the talks will cover not only arrangements for a stable long-term system for pay determination but also the Government's declared objectives for more flexible pay, including pay related to performance and location.

In the light of these developments, and on the basis of your national executive's undertaking to recommend it to your members, I am now able to revise the offer in my letter of 29 March as follows.

- £5.40 a week for all full time adult staff (of ^r 4¼ per cent if that is greater)
- £4 a week for all full time staff on 16 and 17 age points.

Responsibility, supervisory, typing and ADP allowances would increase by 4½ per cent.

In making this improved offer we have taken account of our discussions about the situation where promotees from AA enter the AO scale at a point higher than direct entrants to the grade. The attached pay scales reflect our agreement to put promotions to the AO grade on a more equitable basis.

I should be grateful for your confirmation that this letter accurately reflects the agreement we have now reached.

C W KELLY

CONFIDENTIAL AND PERSONAL

FROM: C W KELLY

DATE: 29 April 1988

CHANCELLOR

cc: Chief Secretary
 Paymaster General
 Sir Peter Middleton
 Dame Anne Mueller
 Mr Anson
 Mr Luce
 Mr Odling-Smee
 Mr Gilhooly
 Mr Truman
 Mr R I G Allen

Handwritten notes in red ink:
 ✓ Mark.
 I had hope for to with
 new to work X.
 Mr.

CIVIL SERVICE PAY : CPSA

Having reflected further, the CPSA executive have decided not to ask us to make them an offer along the same lines as that agreed with the NUCPS.

2. They have decided instead to go to conference with a motion rejecting the £4/5 a week offer, instructing the General Secretary to come back to negotiate with us further and urging industrial action if those negotiations are not successful within three weeks. Effectively that means leaving the issue for the new executive.

3. It is a pity that we did not manage to get the deal now in the immediate aftermath of the agreement with the NUCPS. But we ought still to be able to get the same one immediately after the conference, unless something goes wrong. We had never expected to do it until then before Mr Ellis approached us yesterday.

4. If IDT are asked about any of this they will take the line:

i. No further offer has been made to the CPSA.

X | ii. (If pressed) some feelers were put out by them to us asking if a deal similar to the NUCPS deal would be available to them if they asked us for it. We said that if such an approach we were made we would certainly consider it. But they have apparently decided not to do so.

CWK

C W KELLY



I want
urgent advice,
plus a note
on why
this has
surfaced in the

Ch

This is complete news
to us - I don't think ^{forwarding}
we've seen anything ^{& wholly}
this since the survey. ^{improper way.} ✓
I had indeed that you were
not alerted by A&F/Pay
that there was the problem
before Sir G. Howe minuted*
(copied to PM).

I have persuaded Charles
Powell not to put this in to
PM tonight & will commission
urgent advice tomorrow.

(*though he should
have spoke to you
before doing this)

AA



CONFIDENTIAL

1/9/5

CH/EXCHEQUER	
REC.	09 MAY 1988
ACTION	CST
COPIES TO	

FCS/094/88

CHANCELLOR OF THE EXCHEQUER

Conditions of Service in the Diplomatic Service

1. Almost a year ago, on 17 June 1987, I discussed with you the urgent need for a package to alleviate the deteriorating conditions overseas in which so many Diplomatic Service officers now have to live and work. Last September the Prime Minister made clear her support. I therefore find it difficult to understand why, 8 months later, your officials have not been able to agree the details of these badly needed measures or yet to offer any help whatsoever over funding (although the Prime Minister made clear that the Treasury should contribute new money).

2. This unnecessary delay risks damaging the beneficial impact of the package on the staff affected. It is all the more annoying because the gap between us is in fact so small. Your officials have offered that the FCO should introduce a package of measures worth about £1 million a year. My original package totalled only £2.35 million (without health improvements, which we are handling separately). To enable agreement to be reached straight away, I am prepared to trim the proposals further. The enclosed annex lists the minimum resources needed for each element and the total is now only about £1.8 million a year. That is a modest outlay for a carefully targetted selection of remedies for real and pressing problems.

CONFIDENTIAL



CONFIDENTIAL

3. I have looked hard at how far my Department can make a contribution from offsetting savings. We are already under great pressure, for reasons you understand, including our real self-restraint in recent PES rounds. With great difficulty we could find a further £300,000 a year from savings. This leaves just £1.5 million to find, which for survey years 1989/90 to 1991/92 ought to be incorporated in our PES base line (in the current year we shall need to call on the Reserve for a pro rata sum). My officials can supply at once any further details you need on the funding or the content of the package.

4. I believe that Ministers recognise that the dangers and special problems faced by the Diplomatic Service, with people serving worldwide and often in increasingly difficult posts, are not the same as those encountered by Home Civil Servants in this country or by the Armed Forces or Home Civil Servants living in major centres abroad. To try to maintain comparability between the two is artificial and unacceptable. We owe it to DS staff to put these proposals into effect quickly and in full. I hope you can ask your officials to adopt a more positive approach so that the necessary agreement, including £1.5 million a year of finance from central funds, can be reached before the end of this month. I repeat that for HMG the costs are tiny: the justification is self-evident: and the benefits, not least to DS morale, are enormous.

5. I am copying this minute to the Prime Minister and the Chief Secretary.

Foreign and Commonwealth Office
6 May 1988

(GEOFFREY HOWE)

CONFIDENTIAL



CONFIDENTIAL

ANNEX

1. Difficult Post Allowances

The FCO's original proposals were estimated to cost £650,000. They included enhanced payments for especially difficult posts. The Treasury are unable to accept such a level of payment as a tax-free allowance and this element is now considered under "discretionary payments" at 2 below. Treasury proposals for the remainder include increasing the rates (expressed as percentages of the mean of appropriate salary scales) and raising the minimum from DS7 level to DS6 level at a total cost of £242,000. The proposed new rates are acceptable but the FCO believes it essential that they be flat-banded on the DS5 scale. The revised cost of FCO proposals is £364,000.

2. Discretionary payments for selected posts

This heading now includes enhanced payments to very difficult posts as well as provision for breather visits away from the most isolated posts. The Treasury approach of discretionary payments within an overall cash limit is acceptable but the costs will be greater than the suggested £337,000. The FCO's revised costings, which take into account the need to compensate for tax which will have to be paid on enhanced allowances at the toughest posts, indicate that £480,000 will be required.

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CONFIDENTIAL

3. Recreational Journeys

It is important for morale and efficiency reasons that staff be allowed to make an additional visit to the UK from distant standard tour length posts. The cost could be held to £55,000. Treasury officials consider this a low priority and have not included it in their proposals. But staff at such posts are manifestly disadvantaged in comparison with Western Europe and North America in terms of access to their families, and this proposal would go some way to rectify that.

4. 18-21 Year Old Children

This age group, whether as students, vocational trainees or those unemployed, is a continuing concern for families overseas. The cost of increasing to two the number of journeys allowed to full-time students and offering one journey to other unmarried children up to the age of 21, and not in full-time employment, could under our new Travel Contract be held to £70,000. Treasury officials are unwilling to accept the need for this concession, but its inclusion is important.

5. Nursery Education

The original estimate of costs for an official contribution for 3-4 year olds was £50,000. Officials have agreed in principle that costs may be partially funded with officers also making a contribution. This is acceptable. The cost would be £25,000.

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CONFIDENTIAL

6. Supplements to Junior Staff

The increased responsibilities of our junior staff, their vulnerability to hostile intelligence services and the fact that they receive no overtime for the out-of-office hours they work require recognition. Treasury officials have accepted this, suggesting that the supplement might cost £447,000. This would not go far enough. The supplement needs to cover our DS9 grade at the full rate, as well as those below. The cost would be £778,000.

7. Start-up Costs

Junior staff face considerable initial capital outlay costs when posted abroad. It is accepted that it would be difficult for the Treasury to agree to fund the purchase of capital goods. The FCO hope to meet this need through advance payments of the supplements described above.

8. Total Costs

The estimated cost of the total package of measures put forward in September 1987 to improve conditions of service was £2.335 million. The Treasury have suggested that the total cost might be £1.051 million. The FCO is ready to revise its bid in the light of the official discussions and more details costings, but it considers the minimum necessary to fund the package would now be £1.77 million.

CONFIDENTIAL

This has been handled. In v. early. Next step for an... CST & G. Howe. I will... CST

FROM: L G PAINTING
 DATE: 10 May 1988

MR A C S ALLAN

Ch

This appears completely to ignore the way the PM will react (but see X) and provides no real explanation why it has taken so long. In general this seems to have no feel at all for negotiating positions but just plods on. Charles Powell has held back note again (so you should not raise @ PM lateral). I think only solution is bilateral between you & Howe (or? + CST) soon, for which proper briefing will be needed. We can probably still PM on that basis - shall I for up?

- cc PS/CST
- PS/PMG
- Sir Peter Middleton
- Dame Anne Mueller
- Mr Anson
- Sir Geoffrey Littler
- Mr Mountfield
- Mr Turnbull
- Mr Kelly
- Mr P G F Davis
- Mr Fox
- Mr Ranford

PS: It was handled... Wt was... AA

CONDITIONS OF SERVICE IN THE DIPLOMATIC SERVICE

You asked for an urgent note on the background to the Foreign Secretary's minute of 6 May.

2. When the Foreign Secretary submitted his package of proposals for improvements in Diplomatic Service conditions of service last September, the Prime Minister was quoted in Mr Norgrove's letter to you as having said she was "not unsympathetic to the points made by the Foreign Secretary". A number of staff in the Diplomatic Service were compelled to work in very difficult conditions and these conditions were increasing. The Prime Minister felt that the Foreign Office should certainly make a contribution towards the cost of their proposals - there were occasions when they were extravagant - but she hoped the Chief Secretary would feel able to offer some help on this.

Flag A

3. Two days later - on 17 September - Mr Powell at No 10 wrote to Mr Goldsworthy at the FCO saying that the Prime Minister had mentioned to the Foreign Secretary that day that she entirely agreed with the Foreign Secretary's proposals but she thought it right that the Foreign Office should meet some of the additional costs.

Flag B

AA head to... Offer 2/2m... (see) 2/2m

4. Since then, we have been grinding away at the Foreign Office in order to separate out the deserving few from the less deserving many who would have benefitted from their proposals. In my submission of 9 March to the Chief Secretary I outlined the risks of stalling on the package while a separate exercise on FCO manpower was proceeding, but the Chief Secretary and the Paymaster General endorsed the idea that we should not throw away a card in the manpower exercise by too prompt a concession.

5. After further meetings at official level including one between Dame Anne Mueller and Sir Mark Russell on 11 April, I wrote to FCO on 28 April outlining the response on which I had been authorised to pursue discussions ad referendum.

Summary of Present Position

6. Only one in eight members of the Diplomatic Service serve in the most difficult posts (list attached). Junior staff already receive 50% to 66% more pay and allowances in these countries than when serving in London. Our compromise proposals would increase the average to between 66 per cent and 88 per cent for junior staff, with smaller percentage increases for more senior staff. If the FCO could find the money (about £1m) we have said we might agree to quick introduction, but not to the relatively weak proposals for recreational journeys from comfortable posts or extra journeys for 18 to 21 year olds to visit their parents at post. (The current minute from the Foreign Secretary is the first confirmation that £0.3m is already available from FCO funds.)

7. We do not accept that a more generous package would not lead to repercussions outside the Diplomatic Service. 40 per cent of all civilians in "difficult" posts are on Home Civil Service Conditions. Many of them serve "up country" and would doubtless argue in worse conditions than the Diplomats in town. The Diplomatic Service still finds it relatively easy to recruit and retain staff. They should accept the same pay discipline as elsewhere in the public service.

ie what G Howe calls Tsy "offer"

Flag C
hmm

Flag D

8. I shall be consulting colleagues in the Treasury further, but do not anticipate that we shall be recommending any improvement in the compromise package.

Suggested Line

This was camouflage to get it quickly.

9. If the Prime Minister raises the subject with the Chancellor later today he might say that the Treasury has taken the Foreign Secretary's proposals very seriously but have formed the view - which the Prime Minister herself may have had - that although there were a number of very deserving people in the package there were quite a lot of less deserving people as well. Other Ministers might soon weigh in if it looked as though a generous response to increased danger was being made to members of the Diplomatic Service. It has taken a long time for officials to study the proposals but the FCO have also taken their time in saying how much money they can find. The Foreign Secretary's minute is the first mention of a figure. In terms of the staff in difficult posts the compromise package looks reasonable.



L G PAINTING

GROUP 1 "DIFFICULT" POSTS

1. Aden
2. Brazzaville/Kinshasa
3. Luanda
4. Kabul
5. Maputo
6. Hanoi
7. Managua
8. Kampala
9. Ulan Bator
10. Beirut
11. Dhaka
12. Kaduna
13. Mogadishu
14. Calcutta
15. Lagos
16. Khartoum
17. Georgetown
18. Rangoon
19. Accra
20. Tehran
21. Baghdad
22. Riyadh/Jedda
23. Sana'a
24. Tripoli
25. Monrovia



FROM: ROSIE CHADWICK
DATE: 10 May 1988

APS/CHANCELLOR

"ENCOURAGEMENT TO JOIN TRADE UNIONS"

We spoke and I explained that Industrial Relations Division have tentatively raised the possibility of amending the reference to trade unions in Civil Service letters of appointment. I attach Mr Truman's background briefing on this subject, which the Paymaster has seen.

2. The Paymaster's inclination is not to be pusillanimous, but he would welcome the Chancellor's (equally informal) reaction on whether this is worth pursuing further.

REC

ROSIE CHADWICK
ASSISTANT PRIVATE SECRETARY

So is mhr.

MG - 4 MAY 1988 7

FROM: D A TRUMAN
DATE: 3 May 1988

APS/PAYMASTER GENERAL

cc Mr Kelly
Mr Pettifer**"ENCOURAGEMENT TO JOIN TRADE UNIONS"**

We spoke on the telephone on 29 April and I said that I would give you some informal background briefing.

2. For many years it has been the policy of civil service management to include in a number of documents and in particular the schedule to letters of appointment the following:

"Management regards it as being very much in the civil servant's own interests to belong to a trade union which can support an officer in reasonable claims and represent points of view on all kinds of questions affecting welfare and terms and conditions of service, and staff are strongly encouraged to join the appropriate trade union."

This reflects the traditional view of Whitleyism and, it might be argued, days when the unions themselves and management/union relationships were somewhat different.

3. Following the GCHQ union ban, however, and given the thrust of the Government's industrial relations legislation, it seemed to us that this phrasing was inappropriate and in 1985 we attempted, in a proposed booklet for new entrants to the Civil Service, to adopt wording to the effect that individuals were free to join the appropriate trade union of their choice. The rest of the flummery about the trade unions was dropped. This resulted in an enormous row with the unions which went up to the Head of the Civil Service. At the end of the day, the booklet was abandoned and the whole thing was buried. Departments, many of whose Establishment Officers support the notion of encouraging staff to join trade unions, continue to issue appointment letters with this phrase in the schedule.

4. Things have now moved on somewhat. The centre has to issue new model letters of appointment for short term contracts and, if we are to pursue the alternative working patterns report with any degree of vigour, we shall have to produce model contracts for that too. The unions, doubtless, will expect to see some allusion to their own existence since this has been the practice for so many years. The question, therefore, arises whether we should continue to use the hallowed phrase or some other and less warm form of words despite the fact that this will undoubtedly raise union hackles and possibly those of some Establishment Officers.

5. The sort of phrase we are thinking of including in future is as follows:

"The trade union representing your grade is the Civil Service management would like to see the membership of Civil Service unions fully representative of the staff with as many as possible playing an active part".

This is based on a statement made by Sir R Armstrong at the National Whitley Council meeting following the union ban. Although this matter may seem trivial, as I have indicated above, we know that any change can lead to fierce arguments and thus maintenance of the status quo would be the simplest way out. On the other hand, we have had for some time and continue to have some reservations about statements on trade unionism which we do not feel entirely accord with the Government's point of view, and it is certainly debatable in 1988 whether civil service management should be seen, as it were, acting as the unions' recruiting sergeant. I should be most grateful if you could have an informal word with the Paymaster General to see whether he has any views on this matter - I should be happy to offer any further briefing, oral or otherwise, which might be useful.

J. Sherwin

pp D A TRUMAN



FROM: A C S ALLAN
DATE: 11 May 1988

Handwritten signature

MR PAINTING

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Sir G Littler
Mr Anson
Dame A Mueller
Mr Mountfield
Mr Turnbull
Mr Kelly
Mr P G F Davis
Mr Fox
Mr Ranford

CONDITIONS OF SERVICE IN THE DIPLOMATIC SERVICE

The Chancellor has seen your minute of 10 May, and has discussed it with the Chief Secretary. They agreed that the Chief Secretary should discuss this bilaterally with the Foreign Secretary as soon as possible. The Chief Secretary's office will be fixing this up, and will be in touch with you to commission more detailed briefing on the Foreign Secretary's proposals.

Handwritten signature: ACSA
A C S ALLAN

PERSONAL



MP

FROM: MISS M P WALLACE

DATE: 12 May 1988

APS/PAYMASTER GENERAL

"ENCOURAGEMENT TO JOIN TRADE UNIONS"

The Chancellor has seen your minute to me of 10 May. He shares the Paymaster's inclination not to be pusillanimous on this issue.

MPW.

MOIRA WALLACE

CONFIDENTIAL

FROM: L G PAINTING

DATE: 18 May 1988

CHIEF SECRETARY

cc. Chancellor 12/2
Paymaster General
Sir P Middleton
Dame A Mueller
Mr Anson
Sir Geoffrey Littler
Mr Mountfield
Mr Kelly
Mr Turnbull
Mr Gilhooly
Mr Chivers
Mr Hansford
Mr P G F Davis
Mr Fox
Mr Ranford
Mr Tyrie

CONDITIONS OF SERVICE IN THE DIPLOMATIC SERVICE

The Foreign Secretary wrote to the Chancellor on 6 May seeking improvements to the proposals which we have recently been discussing at official level, following my submission to you of 9 March. We took a calculated risk in stalling on the package while a separate exercise on FCO manpower was proceeding.

Background

2. Last September the Foreign Secretary put forward a package of proposals designed mainly to increase the allowances paid to junior Diplomatic Service staff serving in the Third World in recognition of the increasing difficulty and danger under which they are operating. He also argued that low-paid junior staff might be vulnerable in such a way as to make them a security risk. He said that the best he could normally do for the most junior single staff was give them an extra £630 a year. He argued that we should not concern ourselves with repercussions on other

government employees overseas, who serve mainly in large concentrations in comfortable posts. The Prime Minister supported his arguments but said she considered that the FCO should find some of the extra money needed (£2.75m, less £0.4m for health facilities, now being handled separately).

Treasury position

3. You will have seen from my minute of 9 March that the proposals gave us some difficulty. The FCO appeared to be using the apparent plight of a very small number of people to secure improved conditions of service, at least to some extent, for nearly everybody overseas. If we were to give anything, it should be more carefully directed towards junior staff at the most difficult posts. It seemed to us that the FCO - realising they had no case for a pay increase on grounds of difficulties over recruitment and retention - were giving undue prominence to heightened sensitivities over staff loyalty and increased publicity in the media over terrorism, civil disorder and famine, without there being any objective evidence that extra pay would solve anything (any more than it would solve anything in Northern Ireland). This is not to say that these sentiments are not strongly and sincerely held by many members of the Diplomatic Service.

4. The other difficulty for us is that members of the Diplomatic Service already have very good conditions of service which have in many ways been protected from the effects of Government pay policy in recent years, in terms of the standard of living that their allowances and accommodation overseas have enabled them to maintain. They perceive that they have lost ground in comparison with businessmen and diplomats of the richer nations; and those of their allowances which are expressed as percentages of salary serve as a visible expression of that loss.

5. Nevertheless, even the lowest paid staff actually do rather well overseas when the whole package of their conditions is considered. In Annex A we have spelled out what various specimen grades get when at home and overseas, and have also listed some

of the hidden benefits they get by way of extra leave, advances of pay and allowances, long breaks once a year from the worst posts, and so forth. The annex shows what extra payments would be made as part of the £1 million package I have been discussing with the FCO, and how much extra the FCO still want to pay from the further £0.6 million sought in the Foreign Secretary's minute of 6 May. The table attached to the annex also shows where the original £2.35 million would have gone. This table is quite interesting in showing what a large proportion of the bid was not directed at junior staff in the most difficult posts.

6. FCO officials have seemed a little uncomfortable when we have reminded them that junior staff in the most difficult posts already get at least 40 per cent to 60 per cent more spending power than when in London, plus free accommodation and the various other benefits I have mentioned. They have expressed disappointment that I have mainly concerned myself with a small number of staff (less than 350) serving in such posts (listed in Annex B). Yet it is these staff that formed the backbone of the Foreign Secretary's special pleading, and when we come to look at the longer list of 100 "difficult" posts we find 1,000 Home based Civil Servants at these places as well as 1,500 members of the Diplomatic Service. The Home Civil Servants increasingly see themselves as "poor relations" and already have strong feelings about their relative position particularly when they are serving in the more remote parts of hostile countries in less comfortable circumstances than their better-paid Diplomatic Service colleagues. A number of other things also tend to rankle with them. For example, members of the Armed Forces and Home civil servants who are eligible for Boarding School Allowances only get about 60 per cent of the Diplomatic Service rates. It is not easy for us to hold down the allowances of Home civil servants because they are volunteers if we increase Diplomatic Service allowances for reasons other than recruitment and retention difficulties, especially if we do so outside the really difficult posts.

7. However, once we have agreed to any improvements, it becomes a matter of degree rather than principle how far we should go. It was always possible that whatever we offered, the FCO would

want more and would say that the difference between us is now so small that they cannot see what the fuss is about. That is one of their standard practices in negotiations, at which of course they are very experienced. It is however hardly likely that the FCO would have approached us for additional financial provision from the Reserve in order to meet the low-priority elements in the package (eg recreational visits from comfortable posts, and free journeys for 18 to 21 year olds to visit their parents). Their strategy has been to keep the package together so that the strong elements will support the weak ones. We have therefore attempted to break down the package and negotiate a smaller and better directed one. About half of the £1m in it is for junior staff and half for "difficult" posts, including a discretionary element for the FCO to allocate wherever it is needed most. In Annex C we have summarised the items in the original package, our response to them, and the revised bid for £1.8m (which actually contains a mistake and should be £1.7m).

Financial Provision

8. We have not of course committed ourselves or told the FCO what the contribution from the Reserve, if any, would be. The Prime Minister's comment about sharing the extra costs referred to a £2.75m package: it is less clear that she would be in favour of Treasury help for a package costing £1m, especially if she understood more clearly what is already done to help the staff concerned.

9. The Foreign Secretary has now offered to contribute £0.3m (as I thought he might) but has raised his overall bid to £1.8m gross (or, as he has put it reduced the bid to that figure from £2.35m). Although the figures look very small in Public Expenditure terms, the difference between Treasury and FCO officials is still quite large in terms of the benefits which would be received by the individuals concerned. The further increases are very difficult to justify on merit - there is a perfectly respectable argument in saying that we have already gone too far - and concessions will heighten the feelings of injustice which are already experienced by other public servants

CONFIDENTIAL

serving alongside members of the Diplomatic Service. Thus even if the Foreign Secretary were to say that he could after all fund the whole package from savings I would still be inclined to advise keeping the cost down to about flm.

Tactics

10. On the package of proposals you could open by saying that you felt there was a comparatively good case for improvements for junior staff in the most difficult posts (for which about one third of fl million was specifically earmarked in the original proposals). You saw the Prime Minister's comments and you would have been ready to try to reach an agreement quickly on that item. But in looking at the less urgent items you have become rather worried at the level of generosity which already applies, and you feel that further expenditure on those items would be much more difficult to justify.

11. On the question of financing, you could say that you felt you needed a rather better view of the general position than you have at the moment. You could welcome the Foreign Secretary's willingness to find £300,000 of the cost from savings. But you could ask him if that was the most he could find. You had noted, for instance, that he was saving £850,000 from improved funding arrangements for the running of his broadcast relay stations. You were also hoping to see the results of the manpower exercise which you agreed with him last Autumn. This seems to be progressing very slowly - it would help if the Foreign Secretary could urge his officials to speed it up, and you would do the same. Then of course, you had not yet seen his assessment of his financial position for next year. [We are expecting his impending letter to contain substantial bids for the Survey.]

12. However, looking at a total package of fl million, which includes an item of £0.5 million for junior staff whose working hours have increased substantially, you could agree in principle to some provision from the Reserve towards current year costs. The exact figure would need to be settled when it could be seen what those costs are actually likely to be. We suggest you should

make no promise about future years' costs, but say that they will have to be looked at in the Survey. If the Foreign Secretary argues strongly for a bigger package, there is perhaps a small further adjustment which could be made, provided he could find additional savings. An element in the package is a discretionary "fund" of one-third of a £ million (based on £1,000 per head in Group 1 Difficult posts). A marginal rise to say £0.4m will be more controllable later because it is a cash figure, not a percentage of salary. This does not mean that the other improvements need to be shelved permanently, but it does mean that consideration of them should be deferred and the assumption made that they would in any case need to be funded from savings.

Bull Points

13. Diplomatic Service conditions are good, and plenty of good quality recruits still come forward. The Foreign Secretary's own case was mainly that selective assistance was needed for juniors in the most difficult and dangerous posts. The Treasury's response covers these and also junior staff in less difficult posts.

14. Payment of danger money is dangerous in itself (eg comparisons with Northern Ireland). All sorts of repercussions could occur.

15. Less than 350 members of Diplomatic Service serve in really bad places; and the number of junior staff in Third World countries is similarly small - so the cost of improvements should also be small.

Defensive Points

16. Increasing difficulty and danger

Media coverage of kidnapping, assassination and famine increases public awareness, but it is a matter of opinion how present danger spots in the world compare with those of the past; or in present days how, say, Baghdad compares with Belfast or Belfast with New York (bearing in mind that we recognise no difficulty or

danger in Belfast or New York).

17. Home Civil Servants are different - and all are volunteers when on overseas service

Diplomatic Service staff already have better conditions than Home Civil Servants. But when people serve in the same place - and 40 per cent of all civilians in "difficult" posts are Home Civil Servants - they all feel in the same amount of danger and discomfort: indeed many Home Civil Servants serve "up country" in objectively worse conditions than their DS colleagues. They may be volunteers but they might reasonably expect the FCO to justify further improvements for themselves on recruitment and retention grounds.

18. Foreign Secretary best able to judge relative priorities

When extra money is being sought the Treasury cannot help but relate the claim to pay policy in the public service and to test the strength of the claim against the strength of other claims being made on the Reserve. Having regard to the existing benefits, a significant proportion of the package is not strong enough to justify extra money. There are indeed particular areas where Diplomatic Service Conditions appear sufficiently generous to suggest that further offsetting savings might be possible (eg Boarding School Allowances).

If Pressed

19. The Foreign Secretary could be invited to raise the issue again in the Public Expenditure Survey; but should not be given a free hand to spend extra savings on the improvements not yet agreed, especially those not directed at junior staff in very difficult posts. At the absolute bottom line, however, a deal which let the FCO spend something closer to the figure they are seeking, sealed off any more improvements for several years but left us free to challenge existing generousities, might be worth having. But I would have to express serious doubts whether we could make such a deal stick.

what does this mean?



L G PAINTING

DS ALLOWANCES AND BENEFITS

	Single Grade 10 Age 21			Married Grade 9 Age 21			Married DS 5 (= HCS Grade 7) on scale maximum		
	London £	Standard Tour Post £	Difficult Post Gp 1 £	London £	Standard Tour Post £	Difficult Post Gp 1 £	London £	Standard Tour Post £	Difficult Post Gp 1 £
C. CURRENT LEAVE									
Days	22	35	35	22	42	42	30	56	56
Benefit over London		+ 13 (+ 59%)	+ 13 (+ 66%)		+ 20 (+ 91%)	+ 20 (+ 91%)		+ 26 (+ 87%)	+ 26 (+ 87%)
D. OTHER PAYMENTS									
Boarding School Allce (max per child pa)	-	-	-	-	5,703	5,073	5,073	5,073	5,073
Entertainment Allce	-	-	-	-	-	-	-	4,000	4,000
Representational Supplements	-	-	-	-	-	-	-	2,000	2,000
E. ONE-OFF PAYMENTS									
Outfit grant	-	720*	720*	-	720*	720*	-	-	-
Transfer grant	-	349**	349**	-	769**	769**	-	1,919	1,919
F. OTHER BENEFITS									
Advance of allowances	-	yes	yes	-	yes	yes	-	yes	yes
Advance of salary for car purchase	-	yes	yes	-	yes	yes	-	yes	yes
G. FREQUENCY OF RETURN									
<u>TO UK</u>	-	2½ yrs	1 yr	-	2½ yrs	1 yr	-	2 yrs	1 yr

*on first posting

**on second and subsequent postings

ESTIMATED DISTRIBUTION OF PACKAGE (EXCLUDING MEDICAL SCHEME)

I	<u>FCO PROPOSALS</u>		Group 1 Difficult Posts	Group 2 Difficult Posts	Group 3/4 Difficult Posts	Standard Posts
	£2.335 M					
		Junior av. per capita	369,000 + 2223	275,000 + 1499	387,000 + 1323	601,000 + 914
		Senior Staff (Representational) av. per capita	313,000 + 1885	131,000 + 714	158,000 + 540	101,000 + 154
II	<u>TREASURY RESPONSE</u>					
	£1.05 M					
		Junior Staff av. per capita	269,000 +1,620	119,000 + 649	147,000 + 503	278,000 + 423
		Senior Staff av. per capita	200,000 + 1,205	25,000 + 135	4,000 (marginal)	8,000 (marginal)
III	<u>FCO COUNTER</u>					
	£1,674,000					
		Junior Staff av. per capita	405,500 +2,442	179,500 + 979	225,500 + 771	431,500 + 657
	(£1,771,000 less £97,000 estimating error)	Senior Staff av. per capita	+ 298,000 1,795	46,500 + 252	26,000 + 75	61,500 + 81

GROUP 1 "DIFFICULT" POSTS

DSS staffHome Based Staff

1. Aden
2. Brazzaville/Kinshasa
3. Luanda
4. Kabul
5. Maputo
6. Hanoi
7. Managua
8. Kampala
9. Ulan Bator
10. Beirut
11. Dhaka
12. Kaduna
13. Mogadishu
14. Calcutta
15. Lagos
16. Khartoum
17. Georgetown
18. Rangoon
19. Accra
20. Tehran
21. Baghdad
22. Riyadh/Jedda
23. Sana'a
24. Tripoli
25. Monrovia

332194

	ORIGINAL PROPOSALS	COMMENT & LINE TAKEN	FCC REVISED PROPOSALS	COMMENT
DIFFICULT POST ALLOWANCE	<p>+ £650,000</p> <p>1. Flat rate allce on DS5 scale (currently DS7 min - DS4 max)</p> <p>2. Rates based on higher % DS5 - want 12, 9, 6, 3 per cent not 10, 7½, 5, 2½ per cent</p> <p>3. Remove quota 25 posts in 4 groups</p> <p>4. Create second category special DPA</p>	<p>1. Existing scheme cost £900,000 + £90 for embryo scheme special DPA in most dangerous posts (double rates). With cost of breather visits (below) £375,000 FCO bid to more than double compensation.</p> <p>2. Measuring difficulty relative rather than absolute - no 'right' sum.</p> <p>3. Our proposals include uplift floor to DS Grade 6 - benefit juniors.</p> <p>4. Also increase rates in Gp 1 and 2 posts to 12% and 8% - benefit juniors and seniors.</p> <p>5. Further discretionary element based on formula £1000 a head x no. of staff in Group 1 = £332,00 p.a. This would replace existing (tax free) special DFA scheme. Payments would be taxable. Still provides far more than doubling of SDPA provision. Takes account also of proposals for 'breather visits'.</p> <p>6. HMT proposals + £574,000. (+ £242,000 improvement to regular (tax free) DPA scheme plus £332,000 (gross) for discretionary scheme.)</p>	<p>1. Flat banding on DS5 (Principal) scale. Cost further £122,000 on top of Treasury proposal.</p>	<p>This makes FCO scheme better in virtually every respect than analogous HCS scheme.</p> <p>HMT has to formally certify DPA scheme under tax law (S 369 ICTA 1970) as representing extra costs of overseas service. We judge existing proposals go far enough.</p>
&				

(continued)

ORIGINAL PROPOSAL	COMMENT & LINE TAKEN	FCO REVISED PROPOSAL	COMMENT
BREATHHER VISITS	+ £375,000 Travel costs for staff to have break out of difficult posts.	7. Double counting. DPA is there for staff to alleviate discomfort in manner of their own choosing. Accommodate in discretionary scheme above. 2. Cost further £143,000. FCO want to gross up for tax.	Existing HMT response took taxability into account.

ORIGINAL PROPOSAL	COMMENT & LINE TAKEN	FCO REVISED PROPOSAL	COMMENTS	
SUPPLEMENT TO JUNIOR STAFF	<p>+ £1 million to compensate for "unpaid" overtime, potential security risks (low paid) and increased versatility and flexibility.</p>	<ol style="list-style-type: none"> 1. DS overseas always had all hours worked hability. 2. All staff get enhanced leave to compensate for 7 day on call. 3. Case for recognising extra hours element for non-representational grades. 4. Proposed LPA-type formula to give ceiling of about £0.5m. Suggested £600 a head for Grade 10, Secretaries: £400 a head for EOs (Grade 9). (The latter will not receive LPA of £600 when in London.) 	<ol style="list-style-type: none"> 1. Further £331,000 to give Grade 9 full rate. 2. Also included 9C (Communications and 9T (Technical). 3. Also £200 to Security Officers. 	<ol style="list-style-type: none"> 1. Suggested payments illustrative. If FCO want to even out then £520 average to all. 2. Continue to exclude 9C, 9T and Security grades. 9C have all hours commitment and got pay uplift for this 15 years ago. 3. 9T's get more pay than DS9 - pn IPCS pay spine. 4. Security Officers do not work excess to same degree. Will benefit from Support Grades restructuring wef 1.4.88.
START UP COSTS	<p>+ £100,000 to improve grant on first posting overseas.</p>	<p>Most Junior staff get minimum £720 to help equip for overseas posting. Demonstrated that salary-linked rates outstripped RPI and not deficient. Not in business to provide acquisition of capital goods at public expense.</p>	<p>FCO will meet from advances of pay & supplements.</p>	<p>No objection in principle. Risk of increasing indebtednes</p>

ORIGINAL PROPOSAL	COMMENT & LINE TAKEN	FCO REVISED PROPOSAL	COMMENT
<p>RECREATIONAL JOURNEYS</p> <p>(from distant posts)</p>	<p>+ £80,000</p> <p>For morale and efficiency reasons.</p>	<ol style="list-style-type: none"> 1. Posts in question standard tour posts 2 x 2 or 2 x 2½ years. 2. Regarded as more comfortable and sophisticated eg Japan, Australia, Hong Kong and South Africa. 3. FCO proposals would bring staff and families home to UK average 18 months (with facility to stop off on route). 4. Not a high priority for funding from Reserve. Could be repercussive on HCS where similar tour lengths apply. 	<p>+ £55,000 (revised estimate)</p> <p>staff remain disadvantaged by comparison with N.America (cheap fares) and W.Europe (ease of access).</p> <p>Not a high priority. Could be repercussive on HCS.</p>
<p>18-21 year old children</p>	<p>+ £80,000</p>	<ol style="list-style-type: none"> 1. Present rules allow only 1 concessionary journey for those continuing in full-time education (extension of school age facility). Same for HCS and Services. 2. FCO want 2 for students and 1 for all others un-married. 3. HMT feel reasonable to draw line at age of majority. Not a high priority for funding from reserve. 	<p>+ £70,000 (revised estimate)</p> <p>Not a high priority. Could be repercussive on HCS and Services.</p>

(continued)

ORIGINAL PROPOSAL	COMMENT & LINE TAKEN	FCO REVISED PROPOSAL	COMMENT
Nursery Education Costs	+ £50,000 For 3-4 year old children.	+ £25,000 FCO propose parental contribution of £120 a term per child based on survey of UK practice.	Agree restricted scheme. Limit to 4 year olds. Needs to be rising scale overseas based on extra purchasing power through Diplomatic Service Allowance and Cost of Living Addition. Total cost probably £15,000 pa.

DS ALLOWANCES AND BENEFITS

ANNEX

A. CURRENT ALLOWANCES	Single Grade 10 (A0) Age 21			Married Grade 9 Age 21			Married DS 5 (= HCS Grade 5) on scale maximum		
	London	Standard Tour Post	Difficult Post Gp 1	London	Standard Tour Post	Difficult Post Gp 1	London	Standard Tour Post	Difficult Post Gp 1
	£	£	£	£	£	£	£	£	£
Net pay + IIW	6,013	6,013	6,013	7,262	7,262	7,262	16,317	16,317	16,317
Diplomatic Service Allowance		614	614		1,489	1,489		2,878	2,878
Difficult Post Allowance			648			1,296			1,919
COLA uplift*		1,317*	1,317*		2,011*	2,011*		2,216*	2,216*
Sub Total	6,013	7,944	8,592	7,262	10,762	12,058	16,317	21,411	23,330
Benefit over London		+ 1,931 (+ 32%)	+ 2,579 (+ 43%)		+ 3,500 (+ 48%)	+ 4,796 (+ 66%)		+ 5,094 (+ 31%)	+ 7,013 (+ 43%)
B. IIMT PROPOSED IMPROVEMENTS									
Standard DPA Scheme			+285			+569			+383
Discretionary DPA(net)			+685			+685			+685
Pay Supplement (net)		+409	+409		+281	+281			
Total Extra	-	+409	+ 1,379	-	+ 281	+ 1,535	-	-	+ 1,068
Revised totals	6,013	8,353	9,971	7,262	11,043	13,593	16,317	21,411	24,398
Benefit over London		+ 2,340 (+ 39%)	+ 3,958 (+ 66%)		+ 3,781 (+ 52%)	+ 6,331 (+ 87%)		+ 5,094 (+ 31%)	+ 8,081 (+ 50%)
C. FCO PROPOSALS									
Standard DPA scheme			+503			+ 1,007			+383
Discretionary DPA (net)			+1,000			+ 1,000			+1,000
Pay supplement (net)		+409	+409		+409	+ 409			
Total Extra	-	+409	+1,912	-	+409	+ 2,416	-	-	+1,383
Revised totals	6,013	8,353	10,504	7,262	11,171	14,474	16,317	21,411	24,713
Benefit over London		2,340 (+39%)	4,491 (+75%)		+3,909 (+54%)	+7,212 (+99%)		+5,094 (+31%)	+8,396 (+51%)

*This is the cost of living allowance that would be received in countries where cost of living same as London

pwp

FROM: C W KELLY

DATE: 18 May 1988

1. DAME ANNE MUELLER
2. PAYMASTER GENERAL

Not
available
P.S.

cc: Chancellor
 Chief Secretary
 Sir Peter Middleton
 Mr Anson
 Mr Phillips
 Mr C D Butler
 Mr Luce
 Mr Chivers
 Mr Gilhooly
 Mr Truman
 Mr Bell
 Mr Graham
 Mrs Harrop
 Mr Flitton
 Mrs Luckin
 Mr Muttukumaru

LOCAL PAY ADDITIONS

Mrs Harrop's minute below summarises the state of play on local pay additions.

2. The process of drawing up plans for LPAs and ensuring adequate co-ordination and consultation between departments about their individual plans, has proved to be a time-consuming and complicated exercise. As a result of substantial efforts by Mrs Harrop, Mrs Luckin and others in that branch we are now in the process of authorising the first departments to begin paying them with effect from 1 June. Others will follow as soon as they are able.

3. The basic structure of the scheme is very much as envisaged at the time it was agreed by Ministers last summer. The vast majority of payments are in the South East, and to the main recruitment grades. The cost is currently well within the ceiling of £30 million authorised by the Chancellor.

4. The plans of individual departments vary widely. There is a high degree of selectivity both within and between departments. Of the Chancellor's departments Customs and Excise are planning to be

more selective in who receives payments than most others and the Inland Revenue, much to the fury of Tony Christopher, is going against the general trend by concentrating its payments on the London periphery rather than the centre.

5. This variability is in one sense reassuring. It suggests that departments' problems, or their perceptions of them, must also vary significantly, which in turn justifies the selective approach of LPAs rather than more expensive across the board increases in London Weighting.

6. However, a number of departments are almost certainly being more selective than they would ideally like because of running cost problems, or because of a feeling that £600 is too little to have any substantial effect at more senior levels; and most are worried about the industrial relations implications, though not to the extent that they do not wish to go ahead.

7. If the rhetoric at union conferences this week and last is anything to go by, we are likely to be in for a fairly bumpy ride. As far as we are aware we are breaking new ground: no other employer has attempted to introduce anything like this degree of selectivity; and the unions have an engrained dislike of anything that looks like geographical pay, particularly when combined with a degree of management discretion. The NUCPS, for one, are promising to give full strike pay to any group of their members prepared to take industrial action in order to secure the same LPA as other groups of staff in the same or other departments with whom they regard themselves as comparable.

8. There is a chance that other unions might choose to try to pursue us through arbitration. As Mrs Harrop's note explains, our legal advice is to the effect that we are on good ground in claiming that LPAs are not arbitrable; and the Department of Employment have confirmed that they take the same view and would advise their Secretary of State to that effect.

C O N F I D E N T I A L

9. But a refusal to accept that claims for LPAs are arbitrable would, like any administrative decision, be open to challenge, through judicial review. There is no indication that any union has such a challenge in mind. But if one were made, in the nature of the courts, we cannot be absolutely confident of success.

10. There is clearly no question of turning back now, and I would not advise it if there were. I think it is fair to say that the main departments are more confident about their ability to introduce LPAs without undue friction than we are. It will be an interesting test case of their capacity to operate a more selective system, with a greater degree of discretion, than that to which they had been use to hitherto. It is helpful that they will be doing this against a background in which we have settled, or expect soon to have settled, the pay for this year for the NUCPS and CPSA.

11. We will be monitoring the situation carefully.



C W KELLY



enc

Seen by Ch
19/5.

FROM: C W KELLY
DATE: 18 May 1988

PAYMASTER GENERAL

cc: Chancellor
Chief Secretary
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Phillips
Mr Luce
Mr Odling-Smee
Mr Chivers
Mr Gilhooly
Mr Truman
Mr R I G Allen
Mr Bell
Mr Graham
Mr Flitton

Ch/ see also Kelly minute
behind summarising
LPA state of play and
warning of a bumpy
ride to come

mpw 18/5

CIVIL SERVICE PAY 1988

As predicted, the new CPSA Executive have now agreed to recommend to their members an offer of £5.40 or 4½ per cent, costing in total 4½ per cent, combined with the resumption of talks on long-term pay without preconditions.

2. We have therefore formally made the offer to them and have issued the press notice and briefing to departments you saw earlier accordingly.

3. Settlement is subject to consultation with the CPSA membership, not a ballot. This process will be completed by 10 June.

4. We should have the outcome of the NUCPS ballot on their 4½ per cent offer by 17 June, or very soon thereafter.

5. Finally, we now have formal confirmation in a satisfactory manner from all three unions concerned (FDA, the IPCS and the NUCPS) of their agreement to the 5 to 7 pay deal.

6. Assuming that no problems arise on the CPSA consultation or the NUCPS ballot we have therefore now effectively dealt with most of this year's pay round.

7. LPAs apart (on which I have today made you a separate submission) two main outstanding issues are the IPCS 1 August settlement and London Weighting.

8. The IPCS settlement will be the first to be negotiated under their long-term agreement and to be informed by a levels survey. I hope to let you have a note about how we intend to try to handle this within the next week or so.

9. The latest news on London Weighting is that the unions have now apparently decided that they are not going to pursue arbitration, as we had earlier thought they might. Instead they now seems to be opening up the possibility that we might be able to reach some sort of accommodation if we made the same amount of money available, or a little more, but in the form of a bigger increase taking effect from a later date. An increase in the Inner London rate to £1750 from 1 July, for example, would add 11 per cent to the London Weighting pay bill this year compared to the 10 per cent cost of our current offer of £1680 from 1 April.


10. The disadvantage of this is obvious. It would raise the base for next year.

11. On the other hand, it would do so in a way which did not add significantly to the pressures on running costs this year; it would avoid undesirable retrospection which is a deadweight cost; it would leave open the possibility of shifting to 1 July as a permanent settlement date; and it would be consistent with the thrust of our meeting on 21 April that a further move on London Weighting next year was likely to have a priority claim on whatever resources were available.

12. The second component of such a rapprochement would be agreement to hold talks with the CCSU about the future of London Weighting. This picks up a proposal which we made last year but which was not then pursued. There are clearly risks in any discussions of this kind. But we also see a number of potential advantages (which is why we suggested in the first place). There are a number of aspects of London Weighting which need a thorough review - who

should get it, and what levels, within what boundaries, whether on recruitment or in a differential way only after serving for a number of years and so on. We will need to take stock of the relationship between London Weighting, LPAs and anything done under the long-term pay agreements; and talking to the unions in this forum might prove to be a way of getting greater acceptance of geographical pay.

13. We will explore all this with the CCSU further next week when the conference season is over and will report to you after that. It would be helpful, however, before than to have a steer about whether you think that an arrangement along the lines described above is likely to prove acceptable.


C W KELLY



MP

Ch/
I've had a word
with Chris Kelly about
this. Since neither we
nor P&I/PMG reacted in
horror to his minute of
18 May he had assumed
broad approval. But the pass
is not sold, and he will
do us a note formally
putting the arguments,
so that you + PMG have
chance to approve.

mpw *th*:

24/5

~~Spencer Perceval~~
P.M.S.



~~Robert Peel~~

I am v. doubtful
of the necessity of
any more the case
wrt the office. I do
not believe there will be
a strike on this issue.
106 is only a ~~small~~ large
number. But if PM's
has also agreed to
propose more, then PM
is made an ~~...~~

CONFIDENTIAL



prop. *page*
FROM: ROSIE CHADWICK
DATE: 19 May 1988

MR C W KELLY

cc PS/Chancellor
PS/Chief Secretary
PS/Sir Peter Middleton
Mr Anson
PS/Dame Anne Mueller
Mr Phillips
Mr Luce
Mr Odling-Smee
Mr Chivers
Mr Gilhooly
Mr Truman
Mr R I G Allen
Mr Bell
Mr Graham
Mr Flitton

CIVIL SERVICE PAY 1988

The Paymaster General has seen and noted your minute of 18 May.

X | The Paymaster asked if July 1 was envisaged as the settlement day for everything, or just London Weighting. I understand from Mr Gilhooly that the answer is just London Weighting.

The Paymaster can see an argument for more general discussion with CCSU in anticipation of our own basic decision next year provided these discussions are not a Trojan horse against LPAs.

REC

ROSIE CHADWICK
Assistant Private Secretary

PERSONAL AND CONFIDENTIAL

FROM: A G TYRIE

DATE: 19 MAY 1988

CHIEF SECRETARY

cc : Chancellor
Financial Secretary
Paymaster General
Economic Secretary
Dame A Mueller
Mr Anson
Mr Turnbull
Mr Painting
Mr Cropper
Mr Call

DIPLOMATIC SERVICE ALLOWANCES

I have just seen Mr Painting's note of 18 May.

I think we should be extremely robust in dealing with this latest bid for more perks from the FCO. Is there any chance of unpicking the Prime Minister's general support for a call on the Reserve?

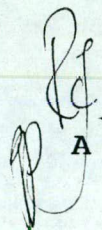
We could argue that:

- (No)
- FCO perks are already so high that they are beginning to affect the morale of the home civil service. Some home civil servants posted abroad find themselves locked into golden cages made from FCO allowances (I met one myself when I was in Washington a month ago).
 - The FCO are not having any trouble recruiting people, nor, as far as I know, retaining them. The labour market for diplomats should be treated like any other.
 - Comparability with foreigners is completely irrelevant. We should decide our level and type of representation ourselves. We should not look to other diplomatic services

to set standards for us, nor allow ourselves to be caught up in an auction of allowances among diplomatic services.

I think you should respond to their bid by saying that since the FCO have raised the question of allowances perhaps we had better have a thoroughgoing review of them. The list looks pretty outrageous. What on earth is the 'outfit grant'? Do our diplomats in Kenya have to equip themselves with safari suits? How on earth did we ever agree to an advance in salary for car purchase? The domestic service don't get that. What on earth is a 'recreational journey'? Apparently, these are given for 'morale and efficiency reasons'! I could go on.

Perhaps recruitment to difficult posts is a problem because the differential between perks in most watering holes and the 'hot-spots' is too small. The answer may well be to lower the overall level of perks rather than raise them for difficult posts. So let's have a review.


A G TYRIE

CONFIDENTIAL

FROM: A G TYRIE

DATE: 20 MAY 1988

CHIEF SECRETARY

cc : Chancellor
 Financial Secretary
 Paymaster General
 Economic Secretary
 Dame A Mueller
 Mr Anson
 Mr Turnbull
 Mr Painting
 Mr Robson
 Mr Mace - IR
 Mr Cropper
 Mr Call

1. Alex
 2. pmf

DIPLOMATIC SERVICE ALLOWANCES

One further line we can take with the FCO.

You may remember that at budget time I suggested that we claw back something from servicemen who will stand to gain from the change in treatment of their personal allowances under independent taxation. Mr Robson is pursuing this with MoD. Jeremy Heywood has reminded me that this would apply to diplomats as well.

The present position is that personal tax allowances for British subjects resident abroad are scaled down by the ratio of a person's UK taxable income to his world income. So, for example, someone with a world income of £30,000 but an FCO salary of £20,000 would only receive two-thirds of his personal allowance. Clause 30 of the Finance Act will give full allowances to these people, irrespective of their world income.

For more highly paid diplomats, who are likely to have some investment income, this could mean a substantial gain. They can already benefit by investing in gilts which are tax free to non-residents. Clause 30 will be an extra cookie.

A G TYRIE

→ personal folder



FROM: J GRAHAM

DATE: 20 May 1988

1. MR KELLY ⁵ 20.5
2. PAYMASTER GENERAL

cc: Ps/Chancellor
 PS/Financial Secretary
 Sir Peter Middleton
 Mr Anson
 Dame Anne Mueller
 Mr Culpin
 Mr Luce
 Mr Chivers
 Mr Gilhooly
 Mr Truman

(en - we will be getting
 a draft minute for PM
 on Monday re CPSA etc
 mpm)

Thanks!

GRADES 5-7: LONG TERM FLEXIBLE PAY AGREEMENT

As Mr Kelly foreshadowed in his minute of 5 May the FDA, the IPCS and the NUCPS have now formally accepted the Treasury's offer of new long term pay arrangement for grades 5-7.

2. The Agreement must be signed by each of the three unions and the Treasury. There is no deadline by which the provisional agreement lapses unless signed but we are keen to press ahead and put the agreement in place formally and the pay increases from 1 April into payment. We are producing a final text and arrangements are in hand to have a signing ceremony in the Treasury shortly. The signatories would be Dame Anne Mueller for the Treasury; and Messrs Ward, McCall and Christie for the FDA, the IPCS and the NUCPS respectively.

3. We should be grateful for your formal authority to proceed on this basis.



J GRAHAM

pay

FROM: C W KELLY
DATE: 25 May 1988

CHIEF SECRETARY

AA/
LA
Spol
v

cc: Mr Anson o/r
Dame Anne Mueller
Mr Luce
Mr Mountfield
Mr Turnbull
Mr Richardson
Mr Painting
Mr Ranford

PAY AND CONDITIONS OF SERVICE IN THE DIPLOMATIC SERVICE

I attach a draft letter for you to send to the Foreign Secretary following your meeting with him earlier this week, along the lines you requested. It has been agreed with Mr Luce and Mr Mountfield and cleared in general terms with Mr Anson.

2. As you will see, we are now proposing settlement on the basis of a package costing £1.4 million in a full year, but delaying the start till 1 July which would reduce the 1988-89 cost to between £1 million and £1.1 million, and offering to fund half of this from the Reserve.

3. AEF have been unable to identify any obvious savings from within the FCO's existing running costs to pay for their share of this. There appears to be little mileage in your suggestions about the pay assumption, or the effect of the Budget on grossed up payments. But they have pointed out that the FCO now expect to realise a saving of £0.8 million on external broadcasting costs (this is unfortunately programme rather than running cost expenditure). I have referred to this in the draft.

4. I have discussed these proposals in general terms with FCO officials. Even now they doubt that it will secure the Foreign Secretary's agreement, principally because it leaves out the proposal for staff in distant posts like Australia to make two

rather than one recreational visit to the UK at public expense during four year tours, and for 18-21 year old children to be allowed two (rather than one) visit a year to their parents' posts if they are in full-time education, or one (rather than none) if they are not. The Foreign Secretary is said to attach particular importance to the second of these.

5. The direct cost of making these last two concessions is relatively small (£55,000 and £70,000 a year respectively). Repercussions elsewhere would be likely to add to this. Despite the Foreign Secretary's belief that we should be robust about defending different treatment to different groups where justified, with which I strongly agree in principle, the fact is that FCO staff are not that different when it comes to the circumstances they face in, say, Hong Kong by comparison with staff in the PSA or in the Armed Forces.

6. The real objection is, however, not these repercussions (which will still only increase the cost to something like £1 million a year) but that the case for the concessions is extremely weak. It would set a new low for the kind of case that the FCO has to mount in order to get improvements to its already attractive package of conditions. They already receive a very substantial Diplomatic service allowance (£2,800 at Principal equivalent level, tax-free) to meet the additional costs of having no settled base, which on the face of it is intended precisely to cover this kind of additional expense. It is in my view indefensible and extravagant to be talking about improving the additional amounts provided through specific allowances at a time when they are also asking you to increase their running costs quite substantially.

7. Having said this, there are some anomalies in the existing arrangements which weaken our case. It is not obvious, for example, why we should be prepared to pay for a visit by a 20 year old child at university but not by, say, a student nurse or a child who is unemployed but chooses to live in the UK rather than with their parents.

8. You will want to consider carefully whether to continue to make an issue of this. My advice is that you should. But personal relationships will also be a factor.

9. I have delayed putting up this draft until after I had a chance to discuss the position with the Foreign Office officials, who asked for the chance to go through it with us earlier this afternoon. I am sorry that this means that the Foreign Secretary has got in first with his letter of today.

CWK

C W KELLY

The Foreign Office did not mention to Chris ~~they~~ were writing - and asked him to hold his proposals until they had had a chance to discuss.

DRAFT MINUTE:

FROM: THE CHIEF SECRETARY

TO: THE FOREIGN SECRETARY

PAY AND CONDITIONS OF SERVICE IN THE DIPLOMATIC SERVICE

We spoke last Monday about your letter to the Chancellor of 5 May. I have since seen your letter of 25 May, for which I was grateful.

2. As I told you, I have some sympathy with the difficulties faced by junior staff in more difficult posts. If that had been all that was involved our officials ought to have been able to reach agreement quite quickly. But, of course, your proposals have - as you say and as I completely accept - always gone well beyond that; and while I welcome what you have done to trim the proposals you originally made, I fear they still cause me a number of difficulties.

3. First, I made clear when I wrote to you on 29 September after our bilateral that affordability was bound to be an important factor in considering your detailed proposals while, of course, noting what the Prime Minister had said about this. What you are effectively saying even now is that you can only afford £0.3 million out of your running costs for a total proposed package of £1.8 million.

4. Second, the proposals are essentially about pay. As such I am bound to consider them against the same sort of criteria as any other proposals affecting pay. In this light they frankly do not stand up very well. You are only able to afford a very small part of them out of existing running costs, and the recruitment and retention arguments do not appear to be particularly strong ones, even noting your point about the mobility obligations of Foreign Office staff. It would also have been easier to have set them in context if your officials had been able to make faster progress on the manpower review which we agreed at the time of the last PES discussions.

5. Incidentally we are currently making considerable efforts to reduce or eliminate certain allowances elsewhere in the public service, notably some of those of the police and the armed forces. Of course, circumstances are different. But increasing allowances for diplomatic staff, unless we were very sure of the case for doing so, would not chime very well with that.

6. Third, your proposals would involve making an in-year adjustment to running costs. The fact that this adjustment would be a relatively small one cuts both ways. I would not normally be prepared to respond very sympathetically to a department asking for an increase as small as £1.8 million, equivalent to only 0.4 per cent of its total running costs.

7. This is particularly so when the proposed increase is to accommodate enhanced pay. For very good reasons we have established a principle that running cost increases should not normally be made to accommodate pay increases. We have breached this only rarely and in exceptional circumstances.

8. Finally, I fear that I have very little sympathy for the proposals involving the provision at public expense of additional recreational journeys from (non-difficult) distant posts and visits by 18 to 21 year old children. Diplomatic service staff already receive a substantial diplomatic service allowance (£2,900 at grade 7/DS grade 5 level tax-free) to compensate for the extra costs associated with having no settled base. It would seem to me to be quite wrong (and extravagant) to be talking of adding further to the compensations they may receive for specific costs such as family visits at a time when you are simultaneously asking for substantial increases to your running costs to meet other pressures.

9. I rest my case on this rather than repercussions. I agree with what you say about the need to be robust about justifying different treatment for different groups if they really do face different circumstances. But I would frankly find it very difficult to justify concessions in this area to FCO officials serving in, say, Hong Kong while refusing to give the same to Home Civil Servants or members of the Armed Forces serving in exactly the same place. Repercussions of this sort would, of course, add to the cost.

C O N F I D E N T I A L

10. This adds up in my view to a very strong case for doing no more than the quite substantial £1 million package of improvements concentrated on the more difficult posts and junior staff to which my officials had already indicated they would be prepared to agree before you wrote to the Chancellor.

11. However, I share your regret that it has not proved possible to reach agreement on what is a relatively small amount of money after such a long time. I also take very seriously what you have said about the importance of your proposals for the motivation and morale of the staff concerned. In the circumstances, if it would produce agreement between us, I am prepared to authorise a revised package increasing the amount available for discretionary payments to staff in difficult posts and making it possible for you to pay the proposed junior staff supplement of the full rate to staff in the main DS9 grade.

12. Your officials have the details. I understand that the full-year cost would be something like £1.4 million (see Annex). As I hope you will agree, it goes a long way towards meeting your main concerns, except in respect of recreational journeys and visits by 18-21 year old children. It would mean that married junior staff in the most difficult posts could expect to receive on average an additional amount of as much as £2,000 a year after tax.

13. These costings have been worked out on the basis that the allowances are paid from 1 April. But we have already progressed two months into the year, and we normally regard it as desirable to avoid retrospection on questions of pay because of the deadweight costs involved. I would suggest therefore that the new allowances should start from, say, 1 July, which would reduce the 1988-89 cost proportionately to between £1.0 and £1.1 million.

14. If we were able to reach agreement on this basis, I would be prepared if necessary to find half this first year cost from the Reserve, leaving you to find the rest from your existing budget. But I would prefer to defer announcing this until rather later in the year, until it is clearer whether a running cost increase is, in fact, necessary. I would prefer that your part of the cost over and above the £0.3 million which you have already volunteered

C O N F I D E N T I A L

should also be found from your existing running cost provision. But, if it would help, I am prepared to agree that you should make use instead of savings in other parts of your programme such as the £0.8 million saving which I understand has been made on your budget provision for external broadcasting.

15. The implications of a settlement along these lines for later years would be for discussion between us in the context of this year's PES rounds in the light of the substantial running cost bids for these years which I understand you are likely to make and in the light also of your manpower plan.

16. I hope that it will prove possible to reach agreement on this basis.

	<u>£</u>
1. Difficult posts	
(a) Uprating of basic scheme (tax-free)	242,000
(b) Discretionary supplements	500,000
2. Pay supplement for junior staff	590,000
3. Nursery education	<u>25,000</u>
	1,357 000



Ch

Charles Powell rang me to say PM may raise this @ bilateral. You can imagine what her line will be.

I said this was now being discussed bilaterally between CST & Si G Howe, so permissive for PM to raise. But she may do it anyway.

(* record below) AA



CHIEF SECRETARY	
REG.	25 MAY 1988
ACTION	Mr L. Painting
COPIES TO	2 Mr. Johnson, Dame A. Mueller Mr. Robson, Mr. Mansfield Mr. W. Kelly, Mr. Tombell, Mr. Call Mr. P. Davis

Foreign and Commonwealth Office

London SW1A 2AH

25 May 1988

From the Secretary of State

Dear John

Conditions of Service in the Diplomatic Service

We agreed, during our meeting on 23 May, that you would write to me with proposals after discussing the matter further with your officials. I look forward to that; but I believe it is important that I should straight away attempt to resolve some of the misunderstanding which was apparent at our meeting.

You expressed concern that the case had edged away from an attempt to meet the difficulties of junior staff to a more general proposition; and suggested that the £1 million package proposed by your officials was aimed largely at improving the conditions of junior staff. Neither proposition is accurate.

In the annex to my minute of 10 September 1987 to the Chancellor I listed eight areas in which improvements are needed. Of these only junior staff supplements and start-up costs (the latter was subsequently removed from the package) were specifically targetted at junior staff. In the protracted negotiations on this issue my officials have consistently aimed at three main areas of concern - difficult posts, family-related problems and junior staff. And again only the last of these is specifically aimed at juniors. As recently



as 28 April your officials wrote (Painting/Bache) "the main thrust of your proposals - and of our response to them - concerns staff serving in the most uncivilised and unpleasant places in the world. You have also (my underlining) pressed to us to consider the extra work performed by junior staff". And, in an annex to the same letter, the following paragraph appears on the subject of special discretionary payments:

"The total sum of money to be available for this purpose should not exceed £1,000 a head for all Diplomatic Service staff (and those on DS terms funded by FCO) in DPA Group 1. No limits or restrictions will apply to individual discretionary payments. However all (my underlining) staff at a given post would be expected to receive the same amount and the scheme, by definition, should normally apply only to Group 1 posts."

Neither of the above passages suggest that there could have been any misunderstanding on the part of your officials that our proposals, consistently advocated, were for wide-ranging improvements for all staff. Junior staff are certainly one of our major concerns, and the balance of our package reflects this; but they are by no means our only concern and we have never disguised that fact.

I should also record again very briefly why I do not accept arguments about repercussivity. I went into this in some detail in my minute of 10 September 1987 to the Chancellor. The essential differences between the Diplomatic Service and the Home Civil Service are:

- (i) DS officers are scattered more thinly over a wider area (207 posts in 165 countries) than HCS who are mainly grouped in large concentrations in the more comfortable posts; and



(ii) DS officers with a career-long world-wide mobility obligation cannot pick and choose their overseas postings, as can the HCS, to fit in with family concerns, children's education, spouses' careers etc.

These differences are crucial. They are already recognised to a degree by the differences between DS Regulations and the Pay Code. They render invalid any attempt to make comparisons and the Treasury should have no difficulty in resisting such attempts.

You have rightly drawn attention to the very small sums of money involved. But I would stress that the measures they would enable us to take would have a very significant impact on those areas about which I am most concerned; difficult and distant posts, families and junior staff.

I hope that this will clear up any misunderstandings that there may have been and that we can now progress quickly to an acceptable solution.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to read 'Geoffrey Howe', with a horizontal line underneath it.

C O N F I D E N T I A L

Handwritten notes:
 * * *
 Re this note of the PM's (see X), how you can have a date for the settlement - your (as per the PM's), or, if you can, what date for the money for the PM's. Happy for CWK the water.

FROM: C W KELLY
 DATE: 26 May 1988

CHANCELLOR

cc: Chief Secretary
 Paymaster General
 Sir Peter Middleton
 Mr Anson
 Dame Anne Mueller
 Mr Phillips
 Mr Luce
 Mr Odling-Smee
 Mr Chivers
 Mr Gilhooly
 Mr Truman
 Mr Bell
 Mrs Harrop
 Mr Flitton

ch/ Chris is clearly heprip for an answer tomorrow

Your draft minute is behind. Do you want to send "full" version or cagier last para?

LONDON WEIGHTING

Handwritten: now 26/5

I suggested in my submission to the Paymaster General of 18 May that a chance appeared to be opening up of reaching agreement on London Weighting if we were prepared to make the same amount of money available, or a little more, in the form of a bigger increase taking effect from a later date. We proposed to combined this with an undertaking to talk with the CCSU about the future of London Weighting generally, later in the year.

2. Further informal discussions with the unions since then have made clear that we almost certainly could get such an agreement if we were prepared to increase our offer from £1680 to £1750 in Inner London, payable from 1 July.

3. The cost of this offer in 1988-89 would be 11 per cent of the total London Weighting pay bill, compared with 10 per cent for the existing offer, an increase of around £1½ million. There would also be an additional carry over cost of just over £5 million in 1989-90.

4. The possibility of an agreement along these lines represents something of a volte-face by the union side. They have been making very aggressive noises about going to arbitration on their original claim of £3000. Such noises are not uncommon at this time of year. But there are grounds for thinking that on this occasion they originally meant it.

5. The reasons for their change in attitude appear to include:
- i. Resurgence of deep-rooted opposition on behalf of some of those concerned to the principle of arbitration.
 - ii. Reluctance on the part of Leslie Christie to get into a position where we turn them down on request for arbitration just at the time when he is going to have to try to persuade his members to accept a long-term pay agreement including access to arbitration only where jointly agreed.
 - iii. A belief that we almost certainly would turn the request down and would then stand firm on our original offer so that they would get nothing more into their members pockets and would then have to wait longer for it.
6. The disadvantage to us of such a deal is, of course, that it would increase the cost of the original offer and the pressure on running cost. In percentage terms the offer would be equivalent to 14½ per cent. But it would cover a period of 15 rather than 12 months since the last increase, and the additional amount this year in absolute terms (£1½ million) is relatively small. The carry through into next year is rather larger. But the impact would be reduced if, as we intend, we then stick to 1 July as the new settlement date (as we would intend).
7. Against this the advantages as we see them are:
- i. We do believe there to be a case on recruitment and retention grounds for paying more in the form of London Weighting, even taking into account the existence of more finely differentiated LPAs coming on top. The London labour market is not getting any easier as time goes on.
 - ii. The switch to a 1 July settlement date means that there would be none of the usual deadweight cost associated with retrospection. Once established, we would want to try to carry this forward into later years. We have been trying for some time to do so.
 - iii. Agreement on London Weighting, which allowed us to put money into pockets would make an easier background to the introduction of LPAs.

8. Nor do I think that an approach of this kind would look like changing strategy in midstream, which was the criticism you made of an earlier proposal we put to you. We would be making very little additional money available this year, and to the extent that we would be pre-empting some of that likely to be affordable next year this would be consistent with what we are likely to want to do then any way.

9. The main risk of repercussions is for the NHS. A further move on our part now would not make their life any easier. But an increase from £1680 to £1750 is likely to be less significant for them than the fact that nurses in Inner London are already now able to receive rather more than this as a result of the Review Body recommendations.

10. The discussions about the future will clearly need to be handled carefully, as the Paymaster has already noted. In particular, we will not allow them to create expectations that further substantial increases are in prospect. Nor will we allow them to become a back door way of discussing, still less undermining LPAs.

11. But there are a number of aspects of London Weighting other than its level which we do need to discuss with a view to making it much more flexible and better tailored to particular recruitment and retention difficulties. It can also be no bad thing to draw the unions into a discussion about what amounts, in effect, to regional pay.

12. I have now reached the point with the unions where I need to tell them if a deal along the lines described is likely to be acceptable. I hope you will agree that I can do so.

C W K

C W KELLY



Treasury Chambers, Parliament Street, S
01-270 3000

PRIME MINISTER

CIVIL SERVICE PAY

I know that my office have been keeping yours informed of the progress of pay negotiations with the CPSA. I am glad to report that the new Executive, with the moderates once more in control, have now agreed to recommend to their members an offer of £5.40 or 4½ per cent, costing in total 4½ per cent, combined with the resumption of talks on long-term pay without pre-conditions. We have therefore put this offer to them formally. Settlement is subject to consultation with their membership, rather than a ballot. This process will be completed by 10 June.

As far as the other Civil Service unions are concerned, we should have the outcome of the NUCPS ballot on their 4½ per cent offer by 17 June, or very soon thereafter. And finally, we now have formal confirmation in a satisfactory manner from all three unions concerned (FDA, the IPCS, and the NUCPS) of their agreement to the Grades 5 to 7 pay deal.

Assuming that no problems arise on the CPSA consultation, or the NUCPS ballot, we have therefore now effectively dealt with most of this year's pay round. The main outstanding issues are the first settlement under the IPCS long-term pay agreement (due from 1 August), Local Pay Additions, of which the first will be paid from 1 June, and London Weighting. Our first offer on London Weighting was for an increase of 10 per cent, which would take the inner London rate to £1680. In the light of the opinion you earlier expressed in favour of more generous London Weighting, my officials now expect to settle on £1750 (14.6 per cent), but paid from 1 July



rather than 1 April, with the result that the additional cost this year is 11 per cent.

I am copying this letter to MISC (66) colleagues and to Sir Robin Butler.

A handwritten signature in black ink, appearing to be "N.L." with a small flourish at the end.

[N.L.]

27 May 1988

MANAGEMENT IN CONFIDENCE

FROM: C J A CHIVERS
DATE: 27 MAY 1988

- 1. MR KELLY ^{case} 36
- 2. PAYMASTER GENERAL

cc PS/Chancellor
PS/Chief Secretary
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Luce
Mr Turnbull
Mr Gilhooly
Miss Seammen
Mr Enderby

Handwritten notes:
 Re X, I wd not think it
 work sp...
 WOO...
 CPSA x NOVPS:
 come along
 M all
 prohibit
 a mixed system
 to cut spine
 ...

FLEXIBLE PAY : THE IPCS AUGUST 88 PAY REVIEW

Now that the April settlements are out of the way we are preparing ourselves for the next major hurdle, which will be the IPCS's 1 August pay review. This review will cover 60,000 staff in the Civil Service with a pay bill of about £¼ billion; and it will directly influence the pay of another 25,000 staff in fringe bodies. It will be a particularly important negotiation because it will represent the first attempt to implement the pay determination arrangements recommended by Megaw; and it will be the model for the negotiations with the IRSF and with grades 5 to 7 next year.

The IPCS pay spine

2. Under the IPCS agreement signed last year staff were assimilated onto the pay spine in September 1987 and then received an extra spine point (for almost everyone) on 1 April 1988. The average cost of the April increase was 4½ per cent. We have made it clear that it is to be taken into account in deciding what further increase should be offered from 1 August.

MANAGEMENT IN CONFIDENCE

3. The Agreement provides for the August pay review to be guided both by

- i. a survey of pay movements outside the public services sector; and by
- ii. a survey of pay levels in appropriate jobs outside the public service.

The movements survey

4. The movements survey is currently being conducted by the Office of Manpower Economics: we shall know the result quite soon. It will establish the range of movements in non-manual pay over the past year. In accordance with Megaw's recommendation, we shall ignore the top and bottom quartiles of pay settlements and focus on the interquartile range. That range provides the framework within which the increase in the total IPCS pay bill falls to be negotiated. In future years the interquartile range of movements will be a firm constraint on negotiations. This year it will "inform" but not formally constrain them. We expect that the interquartile range this year will be in the region of 5-7 per cent.

The levels survey

5. The levels survey which is currently being conducted by Price Waterhouse on behalf of the Office of Manpower Economics is not this year, and never will be, binding on the negotiations. Levels information is merely "one of the factors which may be adduced" in negotiation and which "will be considered on their merits". We shall have one of these level surveys basically every 4 years, but there may be supplementary surveys to cover certain specialised groups in intervening years.

6. The consultants are surveying jobs in 12 specialisms at each of five grading levels. They are collecting information

MANAGEMENT IN CONFIDENCE

from about 100 firms, large, medium-sized and small, with a reasonable spread around the country. We hope to have the first indication of their findings early in June; we should receive a preliminary report in mid-June and a full report at the end of June. We plan also to gain some early sighting shots by obtaining information from commercial data banks. This is not likely to be much help because of the difficulty of identifying correct grading equivalents from these sources, but the cost is modest and it seems worth trying.

7. Meanwhile we are preparing the ground for our own negotiating position by asking Departments to provide recruitment and retention data for their IPCS grades with a regional breakdown; and also to tell us what their priority areas are for the receipt of such limited amounts of additional pay as may be available.

No return to Pay Research

8. It is clearly understood that this is not a comparability exercise. The mere fact that pay rates in outside employment are higher than in the Civil Service carries no implication that we should match them. We shall still be guided by recruitment and retention considerations, and shall indeed want to scrutinise closely any claims for additional pay to ensure not only that there are recruitment and retention difficulties but that those difficulties are causing real operational difficulty which can not be met more cheaply by, for example, contracting out the service in question.

9. We already know of a number of areas (both specialisms and geographical areas) in which Departments would like to pay more. There are specialisms like electronics which are in short supply nationally, and there are difficulties to a greater or lesser extent with most specialisms in London and the South East. In some cases we are aware of, such as the Inland Revenue valuers, there is a pressing case for a rather substantial pay increase of the order of 16-20 per cent in London. It will not be easy to accommodate all these pressures within either

MANAGEMENT IN CONFIDENCE

a suitably restrained overall increase in the IPCS pay bill or within the available provision in Departmental running costs.

The negotiation

10. The actual negotiations with the IPCS will take place in July, almost certainly continuing through August. We expect it to be a negotiation of unprecedented complexity. Much depends on the information that comes out of the movements and levels surveys.

11. The IPCS will enter the negotiations with two main objectives:

- i. they will want a pay increase for everyone, in other words a general revaluation of the pay spine;
- ii. they will want scientists (of all sorts) to be paid at the same rates as professional and technical (P&T) staff: it is their aim that there should be a single scale maximum, and in effect a single pay scale, for all the different specialisms at each broad grading level.

12. Our objectives, on the contrary, are:

- i. to negotiate a deal at minimum cost (staying within running cost provision);
- ii. to meet certain special recruitment and retention needs which have been identified;
- iii. to provide for a variety of scales in each span, allowing pay to be differentiated both by specialism and by geography.

13. There are other factors bearing on the negotiation:

- i. We need to show that we can make this pay determination system work. We are by now heavily committed to

MANAGEMENT IN CONFIDENCE

Megaw as an element of our pay strategy, and it would be embarrassing to have to abandon it.

- ii. We want to be seen to negotiate a deal which is reasonably acceptable to the IPCS in order to encourage the CPSA and NUCPS to follow down the same path. We still believe that is the best available approach to pay determination and should provide for greater stability and confidence on the part of the workforce once the initial teething troubles are over.

Conclusion

X | 14. This is a preliminary note, just to alert you to the phase of negotiation we are entering. There will be difficult judgements to make before it is over: how much money to put into the deal and how far to yield to the IPCS's wish to forgo selectivity and spread the money across the board. There will probably be a trade-off between overall cost and desired configuration. And there will be a fine balance to be struck between striking too mean a bargain, such that the NUCPS and CPSA are put off Agreements of this kind, and too generous a settlement, which would jeopardise running costs and raise expectations among the other unions.


KIT CHIVERS



FROM: ROSIE CHADWICK
DATE: 27 May 1988

APS/CHANCELLOR

Ch / I put yr questions to
Chris, and he would
like a word

mpw
27/5

cc: PS/Chief Secretary
PS/Sir Peter Middleton
Mr Anson
PS/Dame Anne Mueller
Mr Phillips
Mr Luce
Mr Odling-Smee
Mr Chivers
Mr Gilhooly
Mr Truman
Mr Bell
Mrs Harrop
Mr Flitton
Mr CW Kelly

LONDON WEIGHTING

The Paymaster General has seen Chris Kelly's minute of 26 May. He comments that, if we are to give ground on London Weighting, this seems a reasonably clean way of doing it, and not one which prejudices our larger examination in advance of next year.

REC

ROSIE CHADWICK
APS/Paymaster General

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

CHIEF SECRETARY
REC. 2 MAY 1988
ACTION
EX, PS, P, M, EST,

28 May 1988

Dear Sir, *Deputy Mueller, Mr Anson, Mr Robson, Mr Pearce, Mr Cropper, Mr Tyrill, Mr Call*
Mr Kimball, Mr Parvathy

I enclose, as promised, a draft record of today's meeting between the Chief Secretary and the Foreign Secretary.

Yours ever,

A C Galsworthy

(A C Galsworthy)
Private Secretary

MS J Rutter
PS/Chief Secretary

CONFIDENTIAL

Ch
Not a meeting of minds
AA

DRAFT

RECORD OF A MEETING BETWEEN THE SECRETARY OF STATE AND THE
CHIEF SECRETARY ON 23 MAY ON CONDITIONS OF SERVICE

Present: Secretary of State
Mr A C Galsworthy

Chief Secretary
Ms Jill Rutter

1. The Foreign Secretary said that he was worried about the morale impact of increasingly serious adverse conditions in some difficult posts overseas, for which there was inadequate compensation. The posts concerned were usually remote ones which were not often visited by Ministers or officials from London. In some cases there were problems with health. He did not feel that the concerns about repercussivity which had been expressed by the Treasury were relevant: the problems faced by Home Civil Servants were quite different because of the different patterns of their careers. Home Civil Servants did not go to most of the difficult posts, and in any case could only be sent if they volunteered. If others were to claim the right to the same compensation as members of the Diplomatic Service, they would need to be told firmly that the situations were simply not the same. Comparisons with the private sector showed that the sort of compensations offered to their employees in difficult posts were very much more generous.
2. That was the basis on which he had made the bid for £2.5 million a year ago, which he thought had been accepted in principle. This had now been whittled down to £1.7 million, of which the FCO had offered to pay £0.3 million. He could not go any further than this without risking losing the benefits of the package. The Chief Secretary would see from the FCO PESC bid how tight his situation was.
3. The Chief Secretary said that his understanding in several respects was different from the Foreign Secretary's, and repercussivity was not his only concern. He found it deeply distressing that he and the Foreign Secretary should need personally to discuss a matter involving such small sums. The Foreign Secretary said that that was the reason for his own anguished note to the Chancellor. The Chief Secretary went on that he did not agree that agreement in principle had been reached on the package at an earlier stage. He was sympathetic on the problems faced by junior staff in difficult posts. He had himself served in Lagos. However, the Government was about to make significant reductions in allowances to members of the Armed Forces, and were in the middle of difficult discussions with the Home Secretary on policemen's allowances. This was a difficult backcloth against which to look at the merits of the Diplomatic Service case. But he was concerned that that case had edged away from

CONFIDENTIAL/MANAGEMENT IN CONFIDENCE

an attempt to meet the difficulties of junior staff to a more general proposition. The differences of cost (as opposed to funding) seemed to be between the £1.8 million package we were proposing and the £1 million package which the Treasury were prepared to accept. The latter was the package which would apply to improving the conditions of junior staff. He understood the morale argument, and agreed that the proposals should be looked at on their merits. He believed that agreement could be reached quickly if it was limited to improvements for low-paid staff in junior posts.

4. The Foreign Secretary said that he had never seen the package as being intended to apply to junior staff only, though naturally there would be more junior staff than senior staff in the difficult posts concerned. Nursery education for instance, which was an agreed element in the package, must apply to all staff. He himself was so aghast at some of the conditions faced by our staff that he was surprised at the moderation of the claim he was making.

5. The Chief Secretary repeated that the case for improvements in supplementary payments to junior staff was strong. However they were presumably all volunteers. The Foreign Secretary said that on the contrary their conditions of service obliged them to go wherever they were sent. On the question of supplementary payments for junior staff, the only difference appeared to be the application to DS9 grades, which meant a difference of £220,000. On breather visits, we were quite content for inclusion in the "bag of gold" provided that the total funds were sufficient. The Chief Secretary commented that the Foreign Secretary's figures seemed to be different from those in his brief. The Foreign Secretary showed the Chief Secretary the chart attached to his own briefing.

6. The Chief Secretary said that whatever the differences in detail, it appeared to be agreed that the total difference lay between a package of approximately £1.7 million and £1 million. It was ludicrous that he and the Foreign Secretary should have to discuss such small sums of money. But there were principles involved and a danger of infringing sensitivities in the Home Civil Service. The Foreign Secretary said that he could not accept this argument. The Chief Secretary said that the usual criteria for judging the need to make extra compensation available was problems of recruitment and retention. The Foreign Secretary was citing morale, and asserting that those concerned were not volunteers. It was difficult to see how progress could be made. He came back to the difference between extra compensation for junior staff and more general compensation. His officials had been talking on the basis of a package to meet the former need, and that was what the Treasury proposals of approximately £1 million were based on. The Foreign Secretary pointed out that some of the proposals even in the

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Treasury package went beyond junior staff. The Chief Secretary said that that did not negate his general point. The package would be sufficient to cover extra leave for junior staff, but not others. There was also the question of what constituted a difficult post: postings like Australasia hardly seemed to fit this category. The Foreign Secretary said that the problem was the burden of contact with the family which afflicted those who had to spend any amount of time in such posts and who could not choose the time at which they did so. The Chief Secretary said that nevertheless if the purpose was to help junior staff in difficult posts, it was necessary to define who was junior and what was a difficult post. The Foreign Secretary again pointed out that several of the agreed elements of the package applied to all staff. The Chief Secretary said that that was not his impression.

7. The Chief Secretary continued that he was concerned about the element of double-counting involved in breather visits. DPA was supposed to cover breather visits. The Foreign Secretary said that he did not really think this was a difficulty. The need to escape from the sort of posts we were talking about was inescapable and very important to morale. The Chief Secretary said that he understood that the total of what we were proposing involved a bid for more than double the existing compensation in difficult posts. The Foreign Secretary observed that nevertheless the total difference between the figures proposed by the Treasury and those proposed by the FCO was not that great. He felt very strongly that having started off at £2.5 million, he could not go below the present proposal of £1.7 million. The Chief Secretary said that now he and the Foreign Secretary had discussed the matter and knew each other's minds, he thought the best thing would be for him to discuss the matter further with his officials and then put forward a proposal to the Foreign Secretary. If they were unable to agree, there might be no alternative but to go colleagues. He would hate to do that given the small sums involved. The Foreign Secretary agreed that we should try to resolve the matter as the Chief Secretary suggested.

8. The Chief Secretary then turned to funding. He understood that the FCO were prepared to find £300,000 but wished to claim against the reserve for the balance in this financial year and no doubt to include an appropriate bid in future years. The Treasury did not see matters in those terms, though they were prepared to share the costs. The Foreign Secretary said that he had heaved a great sigh of relief a year ago when he had thought the Treasury had accepted the figures we had then proposed. The Chief Secretary said that it should have been clear from the attitude his officials had adopted thereafter that the Treasury had not conceded them. He did not know how a misunderstanding could have arisen. The Foreign Secretary said that the FCO would have to squeeze

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expenditure to the limit to find the £300,000. The Chief Secretary said that there had never been an occasion in the past when there had been significant differences between the FCO and Treasury on running costs. He found it difficult to believe that the FCO could only find £300,000. The Foreign Secretary's colleagues had been asked to absorb far more significant sums. The Foreign Secretary said that our running costs were a very much higher proportion of our total expenditure. He would be putting in a very significant bid on running costs in his forthcoming PESC letter. The Chief Secretary remarked that that was deeply ominous. The Foreign Secretary said that we would nevertheless be putting in a claim very much more modest than most other departments.

9. Concluding, the Chief Secretary agreed to write to the Foreign Secretary with further proposals in a few days. He did not want to waste too much time on what amounted to petty cash. There were however some fundamental disagreements on principles which could not be ignored. He would look at the case on its merits.

23 May 1988

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mmp

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 June 1988

Dear Alex

✓

CIVIL SERVICE PAY

The Prime Minister has seen the Chancellor's minute of 27 May, and is content with the proposals therein.

I am copying this letter to the Private Secretaries to members of MISC 66 and Sir Robin Butler.

CH/EXCHEQUER	
REC.	01 JUN 1988
NOTED	CST PMS S. R. P. MIDDLETON
COPIES TO	MR ANSON DAME A MURPHY
	MR PHILLIPS MR LEE
	MR ODLING SMITH
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	MRS HARRAP
	MR FULTON
	MR CUNNINGHAM

Z ~
Andy

(P. A. BEARPARK)

Alex Allan, Esq.,
HM Treasury.

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BF 7/6
HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

2 June 1988

✓ ✓
Dear Nigel,

**WHITE PAPER ON REFORM OF SECTION 2
OF THE OFFICIAL SECRETS ACT 1911**

The Home Secretary told colleagues in Cabinet last Thursday that he would be circulating to them the draft White Paper on reform of section 2. I attach a copy of the draft, which has been amended to take on board the Prime Minister's comments conveyed in your letter of 23 May and a small number of other points raised on the previous draft.

Copies of this letter and the draft White Paper go to the Private Secretaries to all Cabinet Ministers and to Sir Robin Butler. As the Home Secretary said in Cabinet, he would be grateful to receive as soon as possible any comments which his colleagues have on this final draft. The Government has undertaken to publish the White Paper in the course of this month, and the intention is to send it for printing immediately after Cabinet on 9 June.

Yours sincerely,

P J C MAWER

N L Wicks, Esq, CBE

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CMO

DRAFT (1 JUNE 1988)

REFORM OF SECTION 2 OF THE
OFFICIAL SECRETS ACT 1911

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1. Section 2 of the Official Secrets Act 1911 has long been regarded as unsatisfactory and in need of reform. Early last year the Government decided to set in hand work which would allow it to determine whether it should make a further attempt to narrow and clarify the law on the protection of official information. The work began in April 1987, and by the end of the year had reached the stage where the Government concluded that it would in due course be right to put proposals for reform to Parliament. The Home Secretary accordingly announced in reply to a Parliamentary Question on 15 December 1987 that, when the work was brought to a conclusion later in the same Session, he would lay before Parliament a White Paper setting out the Government's proposals for the reform of section 2, with a view to early legislation. In the course of the debate on 15 January this year on the Second Reading of the Protection of Official Information Bill introduced by Mr Richard Shepherd MP, the Home Secretary said that he hoped to publish the White Paper in June. This is the promised White Paper.

2. The following chapters set out the Government's proposals for the reform of section 2 of the 1911 Act. The Government proposes no amendment to section 1, which deals with various espionage activities carried out "for any purpose prejudicial to the safety or interests of the State". There is no widespread dissatisfaction with section 1. On the contrary, it is sometimes suggested that the protection which section 1 provides for official information is fully adequate and that section 2 is simply unnecessary. This, however, is a misconception. Section 1 deals with the disclosure of information useful to an enemy with the specific purpose of prejudicing the safety or interests of the state. The relative gravity of such conduct is reflected in the higher maximum penalty for an offence under section 1 than for an offence under section 2, which deals with disclosure for other purposes of information useful to an enemy and with other disclosures harmful to the public interest. Without section 2 there would be insufficient protection for information the disclosure of which, for

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example, would undermine national security, help terrorists, impair the ability of the armed forces to defend the country or damage relations with other states, leading to commercial loss or even endangering the lives of British citizens abroad. The Franks Committee (see paragraph [9]) considered carefully whether section 2 could simply be repealed. It concluded that:

"whether one takes a broad or narrow view of the kinds of official information requiring the protection of the criminal law, section 1 does not provide full protection. Effective protection requires that the law should cover leakage of information, as well as espionage."

The Committee accordingly recommended that section 2 should be replaced, not repealed.

3. The Government accepts the view that protection must continue to be given to certain information which section 1 does not fully protect. It believes that it is right to use the criminal law to prohibit disclosure of such information because of the degree of harm to the public interest which may result.

4. However, section 2 in its present form undoubtedly goes too wide. The object of the Government's proposals is to attain a better definition of when, assuming that section 1 of the 1911 Act does not apply, the disclosure of official information should be a criminal offence.

5. This White Paper is principally concerned with information which would, under the Government's proposals, be protected by the criminal law. It does not, therefore, address such matters as the question of public access to official information not covered by the Government's proposals. That is a separate issue which does not arise directly out of the reform of section 2. Nor does it deal with matters affecting the civil law, which may have to be considered in the light of the outcome of current litigation.

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THE NEED FOR REFORM

Scope of section 2

6. Section 2 is a complex provision which creates a number of closely linked offences. It applies to information originally obtained by a person holding office under the Crown by virtue of that office or by a government contractor or his staff by virtue of his contract. It applies not only to information which is held by Ministers, Crown servants and government contractors but also to information originally obtained by them which is then entrusted to another person in confidence; or, of course, to information which is simply obtained by another person in contravention of the Official Secrets Acts. It is an offence for any person to communicate such information except to someone to whom he is authorised to communicate it or to whom it is his duty in the interest of the state to communicate it. Thus, if a Crown servant hands a document to an unauthorised person, it is an offence and, if that person, knowing that the Crown servant had contravened section 2 in giving it to him, passes it on to another unauthorised person, that is also an offence.

7. In addition, section 2 provides that it is an offence to use the information for the benefit of any foreign power or in any other manner prejudicial to the safety or interests of the state; to retain documents which the holder has no right to retain or to fail to comply with a direction from a lawful authority to return them; to fail to take reasonable care of or to endanger the safety of documents; to communicate information relating to "munitions of war" directly or indirectly to a foreign power or in any other manner prejudicial to the safety or interests of the state; or to receive any information knowing or having reasonable cause to believe that it is communicated in contravention of the Official Secrets Acts.

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Defects

8. The drafting of section 2 is archaic and, in places, obscure. But the central objection is to its scope. It penalises the disclosure of any information obtained by a person holding office under the Crown or a Government contractor in the course of his duties, however trivial the information and irrespective of the harm likely to arise from its disclosure. The "catch-all" nature of section 2 has long been criticised. Although in practice prosecutions are not brought for the harmless disclosure of minor information, it is objectionable in principle that the criminal law should extend to such disclosure. The excessive scope of section 2 has also led to its public reputation as an oppressive instrument for the suppression of harmless and legitimate discussion. Because section 2 goes so much wider than what is necessary to safeguard the public interest, its necessary role in inhibiting harmful disclosures is obscured.

Previous attempts at reform

9. Along with the disadvantages of section 2, the need for an effective and enforceable alternative which would command general support has also long been recognised. The first major initiative to devise such an alternative was the Departmental Committee, under Lord Franks of Headington, established in 1971 by a previous Conservative Government to review the operation of section 2 and make recommendations. The Committee reported in 1972. It recommended the replacement of section 2 by a new statute which would cover only official information in specified categories. It would have been an offence to disclose without authority any information in certain categories; but for information in other categories, unauthorised disclosure would have been an offence only if it was likely to cause serious injury to the interests of the nation. The Committee's recommendations depended heavily on the security classification of information. In particular, arrangements were proposed whereby a

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Minister would have certified before any prosecution that the information concerned was correctly classified at a level which meant that it was considered that the disclosure would cause at least serious injury to the interests of the nation. His certificate would have been conclusive evidence in any legal proceedings.

10. A White Paper published in July 1978 by the Labour Government, "Reform of Section 2 of the Official Secrets Act 1911" (Cmnd 7285), set out proposals for legislation which closely followed the Franks Committee recommendations, although not all of the categories of information recommended by the Franks report would have been covered. Among the recommendations of the Franks Committee which these proposals retained were the dependence on the classification of information and the role of the Minister in certifying conclusively that the information was properly classified at a level which meant that its disclosure was considered likely to cause serious injury to the interests of the nation.

11. When the new Government took office in 1979, it prepared a Bill to amend section 2. This closely followed the Labour Government's proposals. But it would have further reduced the number of categories of information protected by the criminal law, and it abandoned the dependence on the classification of information. The role of the Minister before prosecution was retained, but he would have been certifying directly that the disclosure of certain information would be likely to cause serious injury to the interests of the nation (or endanger the safety of a United Kingdom citizen). Despite following so closely the Franks Report and the Labour Government's White Paper, the Bill was widely criticised when it was introduced in the House of Lords in October 1979. The major specific areas of criticism were, first, the provision for conclusive Ministerial certificates and, second, the fact that the Bill would have made it an offence for anyone to disclose any information held by the Government relating to security or intelligence. Although the Bill received a Second Reading, it was clear to the Government that there was little chance of its commanding general acceptance, and it was withdrawn.

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12. Besides these Government initiatives to reform section 2 there have been a number of Private Members' Bills over the last 20 years which have proposed various reforms of the provision.

The way forward

13. As this history indicates, section 2 as it stands has few, if any, defenders, and successive Governments have agreed that it should be reformed. But it has been difficult to find agreement on the precise nature of the reform. The recommendations of the Franks Committee have naturally dominated discussion of this issue since they were published in 1972, and have remained a necessary and valuable reference point for the Government's present consideration of the reform of section 2. But the Government has tried to look afresh at the issues, taking into account the criticisms of its 1979 Bill and the development of Parliamentary and public thinking in recent years. It believes that the proposals which follow would allow the creation of new legislation to replace section 2 which would be easily comprehensible, readily applicable by the courts and widely accepted as useful and necessary.

OBJECTIVES AND PRINCIPLES OF THE GOVERNMENT'S PROPOSALS

14. The central concern of any reform of section 2 is to determine in what circumstances the unauthorised disclosure of official information should be criminal. For this purpose it is not sufficient that the disclosure is undesirable, a betrayal of trust or an embarrassment to the Government. So far as Crown servants are concerned there is a range of circumstances in which the disclosure of information may properly constitute a disciplinary offence, but the intervention of the criminal law would not be justified (paragraphs [71-73] discuss this further). There may also be circumstances in which it is right for the Government to seek to enforce its rights on behalf of the public under the civil law of confidence, notwithstanding that no

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prosecution for a criminal offence is possible. As explained in paragraph 3, what justifies the application of the criminal law, where disclosure is not caught by section 1 of the 1911 Act, is the degree of harm to the public interest which may result. The objective of the Government's proposals is to narrow the scope of the present law so that the limited range of circumstances in which the unauthorised disclosure of official information needs to be criminal are clearly defined. This will ensure that no-one need be in doubt in what circumstances he would be liable to prosecution, and enable the courts to enforce the law without any undue burden of proof being placed either on the defence or on the prosecution.

Ministerial certificates

15. Under the Government's 1979 Bill it would have been an offence to disclose information relating to defence or international relations the unauthorised disclosure of which would be likely to cause serious injury to the interests of the nation or endanger the safety of a United Kingdom citizen. As explained in paragraph [10], the question whether the disclosure of particular information was likely to have these effects was, under the Bill, to be determined by a certificate from the relevant Minister which could not have been challenged by the defendant in the subsequent legal proceedings for the offence of disclosure. As also explained in paragraph [10], this procedure descended directly from a recommendation in the report of the Franks Committee which was intended simply to constitute a check on the correctness of classification. The rationale for leaving to a Minister the judgement of the potential effect of the disclosure of certain information on the interests of the nation is obvious. Because of his responsibilities within the Government for the area to which the information concerned relates, the Minister is uniquely qualified to make a judgement on the damage to the public interest likely to arise from its disclosure.

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16. This proposed arrangement was, however, criticised as placing too much power in the hands of Ministers. It was argued that, since the defendant would not be able to challenge the Minister's certificate, an essential element of the offence would not be considered by the courts but would be decided by the Minister alone. There would be no restraint on a Minister issuing a certificate, even if circumstances did not objectively justify it. The Minister would not be seen as disinterested and there would always be the suspicion of political bias.

17. The Government recognises the force of these arguments. Various arrangements have been proposed since 1979 whereby the power to certify would be shared between the Minister and some other person or body or would pass to another person or body. But no other body or individual shares the Minister's responsibility for safeguarding the interests of the nation and none is therefore as well or better placed to make or review the necessary judgement.

18. The Government accepts the arguments against the procedure previously proposed for conclusive Ministerial certificates as to the likelihood of serious damage to the interests of the nation. It believes that if the issue is not to be decided by a Minister it must, like all other issues relating to the reformed offence, be left to the courts. The Government accordingly proposes that, where it is necessary for the courts to consider the harm likely to arise from the disclosure of particular information, the prosecution should be required to adduce evidence as to that harm and the defence should be free to produce its own evidence in rebuttal. The burden of proof would be on the prosecution, in the normal way. There would be no Ministerial certificates.

19. The Government is proposing (see paragraph [66]) that the central offence of disclosure should in England and Wales be triable either in the magistrates' courts or in the Crown Court. The effect would be to

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give the opportunity to any person accused of disclosing information in contravention of the new legislation to put his case before a jury. (In Scotland, in accordance with normal procedure, it is for the Crown to decide whether the offence is serious enough to be prosecuted on indictment and therefore before a jury).

Tests of harm to the public interest

20. As mentioned in paragraph [15], the test proposed in the 1979 Bill, following Franks, was

"likely to cause serious injury to the interests of the nation or endanger the safety of a citizen of the United Kingdom and Colonies."

The first part of this formulation embodies a very general concept. While this was practicable in conjunction with the procedure for Ministerial certificates, it would be unreasonable to expect the courts to apply such a broad test. While it is acceptable to speak in general terms of the need to protect information where disclosure would harm the public interest, a more specific definition is required in any new legislation if the prosecution, the defence and the court are to be able to make judgements as to the harm likely to arise from disclosure of particular information.

21. The Government has considered whether to return to the system proposed by the Franks Committee whereby the classification of information is the essential determinant of the offence. But this approach was abandoned in 1979 and the Government has concluded that it should not be readopted. The arguments are set out in paragraphs [74-76].

22. The Government considers that so far as possible any test of harm

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should be concrete and specific if it is to be applied by the courts. At this practical level, the harm likely to arise from the disclosure of different kinds of information is not the same in all respects in each case. The Government therefore proposes separate tests of likely harm for the different categories of information to be covered by future legislation.

23. The following paragraphs discuss, first, which categories of information should be covered by a new Bill, and second, what, if any, tests of likely harm to the public interest should be applied to each.

CATEGORIES OF INFORMATION TO BE COVERED BY NEW LEGISLATION

24. In any new legislation to replace section 2, it is necessary to identify those areas in which the disclosure of at least some information may be sufficiently harmful to the public interest to justify the application of criminal sanctions. The number of such areas is in fact small. For the most part, even if disclosure may obstruct sensible and equitable administration, cause local damage to individuals or groups or result in political embarrassment, it does not impinge on any wider public interest to a degree which would justify applying criminal sanctions.

Defence, security and intelligence

25. The most obvious areas in which the public interest needs to be protected are those where the protection of the nation from attack from outside or from within is involved. Clearly new legislation must protect information relating to defence (including civil preparedness) and information relating to security and intelligence.

26. Indeed, in one respect the Government considers that it is necessary to go further than the present law. Increasing international cooperation in recent years on defence and on

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international problems such as terrorism has meant that a growing amount of sensitive information is being shared with other governments, often through the medium of international organisations. At present, if such information is disclosed abroad, it is not an offence to publish it in this country. The Government believes that there is a gap in the law here which is liable to inhibit effective international cooperation. It accordingly proposes that, when information in these categories has been provided in confidence to another government or international organisation and has been improperly disclosed abroad, its further disclosure in this country should be treated in the same way as if the original disclosure had taken place in this country.

International relations

27. Another area where the disclosure of certain information may lead to serious consequences for the nation is that of international relations. A disclosure which disrupts relations between this country and another state may result in measures by that state against British interests and resident British citizens or anti-British public reaction within that state, putting at risk the property or even the lives of British citizens. The arguments set out in the previous paragraph in relation to information provided in confidence to other governments or international organisations apply also to information relating to international relations, and the Government proposes to provide similar protection in respect of this information.

Information obtained in confidence from other Governments or international organisations

28. Somewhat similar considerations apply to information provided by other Governments or international organisations on conditions requiring it to be kept in confidence. But besides the direct consequences which the disclosure of such information may have on

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relations between this country and the state which provided the information, such disclosure has a wider disruptive effect on international diplomacy. If it appears that this country is unwilling or unable to protect information given in confidence, it will not be entrusted with such information. The Government's ability to function effectively in international diplomacy and in relation to international organisations, and consequently its ability to protect and promote this country's interests, will thereby be impaired. Furthermore, the ability and willingness of this country to protect the secrets of another state are likely to determine the willingness of that state to protect this country's secrets.

Information useful to criminals

29. It is clearly sensible that there should be an inhibition on the disclosure of official information which is likely to be useful in the commission of crime, in helping a prisoner to escape from lawful custody or to terrorists. Similarly information which, if disclosed, would obstruct the prevention or detection of an offence or the offender's arrest or prosecution also needs to be protected.

Interception

30. There is a particular sensitivity about the interception of telephone calls, mail and other forms of communication. It is an exceptional but vital instrument which is used, for the protection of society, only when other means are not available. Successive Governments have recognised that properly controlled interception for limited purposes, such as national security or the prevention and detection of crime, is not only justified but essential in the public interest. The effectiveness of interception would be much reduced if details of the practice were readily available. But it is not only the means by which interception is practised which need to be protected. The information gathered by its use, even where it is not

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covered by one of the other categories already mentioned, ought not to be publicly available. Interception inevitably involves interference, without their knowledge, with the privacy of those whose communications are intercepted. Such interference is acceptable in the public interest only if those responsible for interception maintain the privacy of the information obtained.

Categories not covered by present proposals

31. All the categories of information mentioned above were covered by the Government's 1979 Bill, and the Government proposes that they should be covered by new legislation.

32. The Government remains of the view, which was also taken in 1979, that it is not necessary or right for criminal sanctions to apply to Cabinet documents as a class or to advice to Ministers as a class. Documents of this kind will be protected by the proposals if their subject matter merits it, but their coverage en bloc would fuel suspicions that information was being protected by the criminal law merely for fear of political embarrassment.

33. Nor is it considered necessary to protect economic information as a class. Protection will be provided by disciplinary procedures and, where necessary, by specific legislation on particular subjects.

34. The 1979 Bill would have protected information provided in confidence to Crown servants or government contractors by firms, other bodies and individuals. This reflected a recommendation of the Franks Committee. It is clearly right that when sensitive commercial or personal information is provided to the Government it should not be lightly disclosed. But the Government has concluded that it would not be right to give blanket protection to all information offered in confidence in legislation designed to protect only that information the disclosure of which would seriously harm the public interest.

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35. For the most part the Government takes the view that the civil remedies available to those providing information, and the disciplinary procedures which would penalise disclosure by a Crown servant, provide sufficient protection for private information. However, there are circumstances, particularly where information is provided under a statutory requirement, where, as the Franks Committee argued, it is in the public interest that private information is given the protection of the criminal law. There are already a number of specific offences relating to the disclosure by Crown servants of particular information provided under statutory requirements. The Government is considering whether the reform of section 2 and the consequent narrowing of the range of information protected by the criminal law would leave without a criminal safeguard any private information provided to the Government in confidence which merits such protection. A particular area for consideration, for example, is information provided to the tax authorities. Consideration will, if necessary, be given to the creation of separate specific offences of disclosure.

CIRCUMSTANCES IN WHICH DISCLOSURE WOULD BE AN OFFENCE

36. Crown servants will in the normal course of their duties properly disclose information in the categories which the Government proposes should be covered in new legislation. The same is true of Government contractors. It is obviously not intended that such disclosures should be caught by the new legislation, and references to disclosure in the following paragraphs should accordingly be read as excluding disclosures of that kind.

37. As explained in paragraphs [20-22], the Government considers that disclosure of information in the categories to be covered by new legislation should be an offence only where a certain degree of harm to the public interest is likely to result, and that the definition of

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the harm which is to be a condition of the offence need not and should not be the same in all respects for each category of information. The following paragraphs accordingly consider what test of harm, if any, should be attached to each category of information.

Security and intelligence matters

38. Under the Government's 1979 Bill the disclosure by any person of any information relating to security and intelligence would have been an offence. As explained in paragraph [11], this was a source of criticism. The Government does not now propose that new legislation should make all such disclosures an offence. It proposes instead that legislation should make a distinction between disclosures by members and former members of the security and intelligence services and disclosures by other persons; and that, in the latter case, the prosecution should have to show that the disclosure was likely to damage the operation of the security and intelligence services.

39. Because of the exceptional sensitivity of this area of information, however, there is a particular difficulty in bringing prosecutions in some cases which would be exacerbated by the need to show that the proposed test of harm had been met. In order to prove the truth of the information at present, and in order to satisfy the test of harm if the Government's proposal is adopted, evidence may need to be adduced which involves a disclosure which is as harmful as or more harmful than the disclosure which is the subject of the prosecution. Because of this danger it is not always possible to bring a prosecution at all. The Government considers that it is not in the public interest that those who wish to disclose information which damages the operation of the security or intelligence services (for example by revealing details of their operations or identifying personnel) should be able to do so with impunity, simply by reason of the sensitivity of the subject-matter.

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40. The Government proposes to meet this difficulty by providing that the prosecution should have to prove either that the disclosure was likely to damage the operation of the security or intelligence services or that the information concerned was of a class or description the disclosure of which would be likely to damage the operation of the services. This would allow the arguments before the court to be less specific. The prosecution would have to satisfy the court that a particular disclosure was of a certain class or description, and that disclosure of information of that class or description was likely to damage the operation of the services.

41. While the Government believes that this proposed test of harm is in general adequate to safeguard the interests both of the defendant and of the security and intelligence services, it considers that different arguments apply to the unauthorised disclosure of information by members or former members of those services. It takes the view that all such disclosures are harmful to the public interest and ought to be criminal. They are harmful because they carry a credibility which the disclosure of the same information by any other person does not, and because they reduce public confidence in the services' ability and willingness to carry out their essentially secret duties effectively and loyally. They ought to be criminal because those who become members of the services know that membership carries with it a special and inescapable duty of secrecy about their work. Unauthorised disclosures betray that duty and the trust placed in the members concerned, both by the State and by people who give information to the services.

42. The Government accordingly proposes that it should not be necessary for the prosecution to adduce evidence of the likely damage to the operation of the security or intelligence services when information relating to security or intelligence has been disclosed by a member or former member of one of those services.

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43. The difficulties described in paragraph [39], arising from the fact that a trial may lead to the disclosure of information more sensitive than has already been disclosed, need particularly to be overcome where the defendant is a member or former member of the security or intelligence services. It is clearly not in the public interest that a person who is entrusted with the protection of the security of the country, and who betrays that trust, should be able to escape prosecution because of the very sensitivity of the information with which he has been entrusted. Furthermore, as a general policy, Governments do not comment on assertions about security or intelligence: true statements will generally go unconfirmed, and false statements will normally go undenied. As a result, and because of the particular credibility attaching to statements about security or intelligence by members of the services concerned, the circulation of misinformation by a member of the services may, in a different way, be as harmful as his disclosure of genuine information.

44. The Government proposes to meet these problems by making it an offence for a member or former member of the security or intelligence services to make any disclosure which is either of information relating to security or intelligence or which purports to be of such information or which is intended to be taken as such.

45. These issues have been discussed in terms of the "security and intelligence services". But the arguments apply not only to actual members and former members of the services but also to those who work closely in support of or who are in frequent contact with the services, such as certain members of the armed forces who provide technical support for the services, or officials in specified posts in certain Departments who deal with the services on a regular basis as part of their normal duties. These non-members have the same sort of access to sensitive information relating to security or intelligence, and to the operation of the services, as members themselves. It seems

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right that it should similarly be an offence for any of these non-members to disclose any information relating to security or intelligence or to make any statement which purports to be a disclosure of such information.

46. However, some of these non-members occupy such sensitive posts only temporarily. The special offence should only apply in respect of information acquired in such posts. For any disclosure of information relating to security or intelligence acquired in a previous or subsequent post it should be necessary for the prosecution, as normal, to satisfy the courts that the operation of the security or intelligence services was likely to be damaged.

47. In order to give effect to these proposals, the Government proposes that there should be a power for the responsible Minister to designate individuals or groups whose duties necessarily involve extensive familiarity with the work of the security and intelligence services as having the same criminal liability as members of these services in respect of the disclosure of information relating to security or intelligence.

48. The list of persons designated would not, for obvious reasons, be made public. But the persons concerned would be notified individually; and criminal liability would attach only after the individual officer concerned had received notification of his liability.

Defence

49. As regards the disclosure of information relating to defence, the Government proposes that the prosecution should have to prove that the disclosure was likely either to prejudice the capability of the armed forces to carry out any of their defence tasks or to lead to a risk of loss of life, injury to personnel or damage to equipment or installations or to prejudice dealings between the Government and the government of another state or an international organisation.

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International relations

50. It is proposed that disclosure of information relating to international relations should be an offence if it can be shown that the disclosure would be likely to jeopardise or seriously obstruct the promotion or protection of United Kingdom interests abroad, or to prejudice dealings between the Government and the government of another state or an international organisation, or to endanger the safety of a British citizen.

Information obtained in confidence from other governments or international organisations

51. As explained in paragraph [28], the harm arising from the disclosure of information provided by other governments or international organisations on conditions requiring it to be held in confidence is not simply the disruption of relations between the Government and the other government or the organisation concerned. There is a wider damage to the standing of the United Kingdom in relation to all governments and international organisations. For that reason any unauthorised disclosure is harmful, and the Government sees no purpose in setting a test of harm which is bound to be satisfied in every instance.

Information useful to criminals

52. The category of information whose disclosure would be likely to be useful in the commission of offences or to terrorists, or in helping a prisoner to escape from custody, already carries its own test of harm within it. The prosecution need to prove that the information would be likely to be useful for one of these obviously harmful purposes. There is no need or scope for any additional test of harm in respect of this category.

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Interception

53. Finally, paragraph [30] sets out the reasons why the disclosure of information relating to the process of interception or obtained by those means is harmful. It seems to the Government that none of the information which Crown servants possess in relation to this process can be disclosed without the possibility of damaging this essential weapon against terrorism and crime and vital safeguard of national security. Similarly no information obtained by means of interception can be disclosed without assisting terrorism or crime, damaging national security or seriously breaching the privacy of private citizens. The Government does not therefore consider that a specific test of harm can be formulated or, indeed, is necessary or appropriate for this category of information.

THE LIABILITY OF THE DISCLOSER

54. The previous paragraphs have considered in what circumstances the unauthorised disclosure of certain information should be an offence. The next question is whether it should be an offence whoever makes the disclosure. As has been made clear earlier in the White Paper, the Government considers that what justifies making the unauthorised disclosure of certain information a criminal offence is the degree of harm to the public interest in which it is likely to result. Since the unauthorised disclosure of such information by, say, a newspaper may be as harmful as disclosure of the same information by a Crown servant, the Government believes that it would not be sufficient for the new legislation to apply only to disclosure by Crown servants. The objective of official secrets legislation is not to enforce Crown service discipline - that is not a matter for the criminal law - but to protect information which in the public interest should not be disclosed. Such protection would not be complete if it applied to disclosure only by certain categories of person. The Government accordingly proposes that the unauthorised disclosure by any person of information in the specified categories in circumstances where harm is likely to be caused should be an offence.

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55. However, although the justification for applying the criminal law in this area is the harm that disclosure may cause, it would not be right to make disclosure criminal except where the discloser knows or can reasonably be expected to know that the disclosure would be likely to cause harm. In applying this principle a distinction can be drawn between the liability of Crown servants and government contractors and of other people, including the media.

56. In general it is reasonable to assume that a Crown servant knows the value of the information that comes to him in the course of his duties, and that, if he discloses information likely to cause harm, he knows what he is doing. There will be circumstances, however, in which a Crown servant intends to act properly and indeed acts reasonably, but unwittingly makes a harmful disclosure. In such circumstances the Government proposes that it should be open to him to claim the defence that he could not reasonably have been expected to realise the harm likely to be caused by his disclosure. The same arguments apply equally to a government contractor who discloses information which he receives in the course of his contract.

57. For a person who is not a Crown servant or government contractor, the Government considers that the opposite presumption should be made: that, unless proved otherwise, such a person does not know that disclosure of particular information in the categories to which the Government proposes to attach a test of harm would be likely to result in that harm. The Government accordingly proposes that, in such cases, the prosecution should have to prove not only that the disclosure would be likely to result in harm but that the person who made the disclosure knew or could reasonably have been expected to know that harm would be likely to result.

A PUBLIC INTEREST DEFENCE

58. Suggestions have been made that the law should provide a general

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defence that disclosure was in the public interest. The object would be to enable the courts to consider the benefit of the unauthorised disclosure of particular information, and the motives of the person disclosing it, as well as the harm which it is likely to cause. It is suggested, in particular, that such a defence is necessary in order to enable suggestions of misconduct or malpractice to be properly investigated or brought to public attention.

59. The Government recognises that some people who make unauthorised disclosures do so for what they themselves see as altruistic reasons and without desire for personal gain. But that is equally true of some people who commit other criminal offences. The general principle which the law follows is that the criminality of what people do ought not to depend on their ultimate motives - though these may be a factor to be taken into account in sentencing - but on the nature and degree of the harm which their acts may cause.

60. In the Government's view, there are good grounds for not departing from the general model in this context; and two features of the present proposals particularly reinforce this conclusion. First, a central objective of reform is to achieve maximum clarity in the law and in its application. A general public interest defence would make it impossible to achieve such clarity. Secondly, the proposals in this White Paper are designed to concentrate the protection of the criminal law on information which demonstrably requires its protection in the public interest. It cannot be acceptable that a person can lawfully disclose information which he knows may, for example, lead to loss of life simply because he conceives that he has a general reason of a public character for doing so.

61. So far as the criminal law relating to the protection of official information is concerned, therefore, the Government is of the mind that there should be no general public interest defence and that any argument as to the effect of disclosure on the public interest should take place within the context of the proposed damage tests where applicable.

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A DEFENCE OF PRIOR PUBLICATION

62. Under the Government's 1979 Bill it would not have been an offence to disclose without authority information in certain categories if the defendant could show that the information had been made available to the public before his disclosure. The rationale for this defence was that, if the information in these categories was publicly available, a second disclosure could not be harmful. It seems to the Government that this rationale is flawed. There are circumstances in which the disclosure of information in any of the categories which the Government proposes to cover in new legislation may be harmful even though it has previously been disclosed. Indeed, in certain circumstances a second or subsequent disclosure may be more harmful. For example, a newspaper story about a certain matter may carry little weight in the absence of firm evidence of its validity. But confirmation of that story by, say, a senior official of the relevant Government Department would be very much more damaging. In such circumstances, the Government considers that the official should still be subject to criminal sanctions. Similarly, the publication of a list of addresses of persons in public life may capture the interest of terrorist groups much more readily than the same information scattered in disparate previous publications.

63. The Government does not, therefore, propose that there should be an absolute defence of prior publication for any category of information. But in cases in which the prosecution would under the Government's proposals have to show that disclosure was likely to result in harm, the offence would not be made out if no further harm is likely to arise from a second disclosure. The prior publication of the information would be relevant evidence for the court to consider in determining whether harm was likely to result from a second disclosure, but it would not be - and, in the Government's view, should not be - conclusive.

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64. There are two categories of information the disclosure of which would not under the Government's proposals be subject to a test of harm in each case: information relating to or obtained by interception, and information obtained in confidence from other governments or international organisations. As explained in paragraphs [51] and [53], however, the Government considers that any disclosure of information in these categories is harmful, and that applies irrespective of whether the information has previously been made public in some form. If information about, for example, the practice of interception is published unlawfully, it would clearly be undesirable if the effect were that it became lawful at any time thereafter to publish the information as widely as and in whatever form the publisher chose.

OTHER OFFENCES, ENFORCEMENT AND EXTENT

Other offences

65. The central mischief at which the Government's proposals are aimed is the unauthorised disclosure of information the publication of which is harmful to the public interest. However, there are actions which conduce to this central mischief and which the Government considers should be criminal. At the lower end of the scale of seriousness, there is the Crown servant who culpably fails to take sufficient care of documents containing information the unauthorised disclosure of which would be an offence. At the upper end is the person who reveals to a person, who he knows is going to use the knowledge, how to gain access to information the unauthorised disclosure of which would be an offence. The Government proposes that both should be an offence. The Government also proposes that it should be an offence for any person who is wrongfully in possession of a document containing information whose unauthorised disclosure would be an offence to fail to return the document when given a formal

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notice requiring him to do so. It is not, however, proposed that mere receipt of such information (as in the present law) should be an offence.

Penalties

66. For the central offence of deliberate disclosure, the Government proposes that the new legislation should provide the same maximum penalty on indictment as for the present offences under section 2: two years' imprisonment or a fine or both. On summary conviction it proposes, as in its 1979 Bill, that the maximum penalty should be six months' imprisonment or a fine not exceeding £2000 or both.

67. The Government considers that the same maximum penalties should be applicable to the offence of revealing how to gain access to information the unauthorised disclosure of which would be an offence. Knowingly to facilitate the disclosure of such information is as culpable as to disclose it oneself. The other offences mentioned in paragraph [65] are less serious, and the Government proposes only summary penalties, although it considers that the power of imprisonment should be available given that, for example, the disclosure of a document which a person refuses to return might lead to loss of life.

Powers of investigation and arrest

68. It will be necessary to ensure that the police have adequate powers to investigate the new offences. It will, for example, be necessary for England and Wales to designate the central offence as an "arrestable offence" for the purposes of the Police and Criminal Evidence Act 1984.

Authority for prosecution

69. At present, under sections 8 and 12 of the Official Secrets Act

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1911, no prosecution may be brought under section 2 in England and Wales or Northern Ireland except by or with the consent of the Attorney General. The Government proposes that, under the new legislation, no prosecution should be brought in respect of information relating to security, intelligence, defence, international relations or interception or information provided by other governments or intergovernmental organisations on conditions requiring it to be held in confidence except by or with the consent of the Attorney General. Prosecutions in respect of information useful in the commission of offences or in escape from lawful custody would rest with the Crown Prosecution Service in England and Wales; in Northern Ireland they would require the consent of the Director of Public Prosecutions for Northern Ireland. In Scotland the Lord Advocate is responsible for all prosecutions.

Territorial extent

70. The Government proposes that the new legislation should apply throughout the UK and that it should be possible to extend it by Order in Council to the Channel Islands and the Isle of Man. By virtue of section 10(1) of the Official Secrets Act 1911, section 2 offences may be committed abroad by "British officers or subjects". The Government proposes to retain the spirit of this provision by giving the United Kingdom courts jurisdiction over offences under the new legislation if committed abroad by a British citizen, Crown servant or government contractor.

THE FUTURE ROLE OF THE CIVIL SERVICE DISCIPLINE CODE

71. The result of implementing the Government's proposals would be that only a very small proportion of the information in the hands of Crown servants would be protected by the criminal law. That does not mean, however, that there will be no inhibition on the disclosure of any of the information which the criminal law will no longer protect.

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The Government still has the duty to keep the private confidences of citizens and others. More generally, Ministers will continue to determine what information should be disclosed and to account to Parliament for those decisions. In practice Ministers already make a great deal of information public or authorise Crown servants to do so on their behalf.

72. The Civil Service Discipline Code already provides penalties for unauthorised disclosures which can be invoked where it is not thought right to bring a prosecution under section 2. The Discipline Code will continue to be applied against unauthorised disclosure of information.

73. Once new legislation is in place it will be necessary to amend the conduct rules for Crown servants, in particular the rules covering the disclosure of official information, in consultation with the Civil Service trade unions, to reflect the fact that the criminal law no longer protects all official information. Departmental rules and guidance will also need to be revised to ensure that it is clear to Crown servants what types of information they cannot disclose without authority without rendering themselves liable to criminal or, as the case may be, disciplinary action.

THE SECURITY CLASSIFICATION OF INFORMATION

74. As explained in paragraph [21], the Government does not intend to rely on the security classification of information as a test of harm likely to be caused by the disclosure of that information. Although the Government's 1979 Bill departed to some extent from the Franks Committee approach in this respect, it did contain provision for regulating the classification of information and documents relating to defence or international relations. Under that Bill, however, the harm arising from the disclosure of such information would have been certified by a Minister. The Government sees no need for legislative

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provisions relating to classification under the scheme it is now proposing, in which neither the classification of information nor the opinion of a Minister plays a crucial part.

75. Under the Government's proposals the question of the harm arising from disclosure will be a matter on which the prosecution have to satisfy the court. The fact that a document was classified at a certain grade is not evidence of likely harm; it is only evidence of the view of the person who awarded the classification. Moreover, it is evidence only of the view taken at the time of classification; circumstances may have changed by the date of the disclosure. The grade of classification may be relevant in a prosecution as evidence tending to show that the defendant had reason to believe that the disclosure of the information was likely to harm the public interest, but the prosecution will have to adduce separate evidence to prove that the disclosure was indeed likely to cause such harm.

76. But within the Crown service the classification of documents will, of course, continue to play an essential administrative role in the handling of information and will be relevant in disciplinary proceedings for the unauthorised disclosure of information not covered by the new legislation. The fact that classification plays no part in the Government's proposals in no way diminishes the duty on Crown servants to ensure that documents are given an accurate grading.

CONCLUSION

77. This White Paper presents a set of proposals the central objective of which is to apply the criminal law to those, and only those, who disclose a limited range of information without authority knowing or having good reason to know that to do so is likely to harm the public interest. The proposals would not apply criminal sanctions to disclosures which are not likely to harm the public interest, nor to anyone who could not reasonably have been expected to foresee the effect of his disclosure.

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78. Responsible media reporting would not be affected by the Government's proposals. They represent a restriction on freedom to publish, but any legislation in this area must limit that freedom. The law already constrains in various ways what may be published in order to avoid damage to private interests. It is right that constraints should also be imposed to prevent unacceptable damage to the public interest.

79. Under the Government's proposals it will be for the courts, and the courts alone, to decide whether the disclosure of particular information is criminal. The Government is entrusting the safeguarding of the public interest to the jury.

80. The Government believes that the proposals set out in this White Paper would result in clear and intelligible legislation which juries could apply readily and equitably. The legislation would apply to culpable acts without drawing in harmless or innocent actions. It would merit and receive the confidence of the public and of juries.

81. The Government intends to initiate debates in both Houses of Parliament on its proposals in July. It will then consider the opinions expressed in those debates, and the comments which it receives from other sources on the proposals, with a view to early legislation.

CONFIDENTIAL
MANAGEMENT IN CONFIDENCE



A handwritten signature in black ink, appearing to be "M P WALLACE".

FROM: MISS M P WALLACE

DATE: 7 June 1988

PS/PAYMASTER GENERAL

cc PS/Chief Secretary
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Kelly
Mr Luce
Mr Turnbull
Mr Chivers
Mr Gilhooly
Miss Seammen
Mr Enderby

FLEXIBLE PAY: THE IPCS AUGUST 88 PAY REVIEW

The Chancellor has seen Mr Chivers' minute of 27 May. He has commented that, in settling the IPCS August Review, he would not think it worth spending much in an attempt to woo the CPSA and NUCPS: they will come along in good time in all probability, and there is in any case much to be said for having a mixed system in the civil service.

A handwritten signature in black ink, appearing to be "M P WALLACE".

MOIRA WALLACE

8.7.6



Ch/your minute to PM
behind gives key
dates & numbers.
(Only caveat, of course,
is IPCS August.)

FROM: C W KELLY
DATE: 7 June 1988

PAYMASTER GENERAL

cc: Chancellor
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Luce
Mr Chivers
Mrs Harrop
Mr Flitton

NUCPS

Handwritten notes in red ink:
I can now
repro. to
on conclusion of
CS P
4/4 → ~~4/4~~ (4/4/2)

LONDON WEIGHTING

I am pleased to report that we reached agreement with the CCSU today on London Weighting on the basis set out in Mrs Harrop's minute of 6 June.

2. All the General Secretaries concerned will be recommending the agreement to their executives. They will be seeking to come back to us with confirmation by 20 June which ought to allow us to get the increases into July pay packets. Whether they will meet this timetable remains to be seen. Failure to do so would be disappointing, but not disastrous.

CWK

C W KELLY

PMG 10 JUN 1988 5



the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon Kenneth Baker MP
Secretary of State for Education
and Science
Department of Education and Science
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Our ref PS3AXB
Your ref
Date 9 June 1988

CHIEF SECRETARY	
REC.	10 JUN 1988
PMG	

PAYMASTER GENERAL	
REC.	10 JUN 1988
ACTION	Mr Wyn Owen
	PS/cx PS/CST
	Sir P Middleton
	Mr Anson
	Mr Monck
	Mr Burgner
	Dave Ammieller
	Mr C Butler

Ken Baker

When we met to review progress on the Management Charter Initiative on 27 April, it was agreed that I should write to Cabinet colleagues encouraging Departments to join the Management Charter Initiative (MCI).

Mrs Case
Mr Butt
Mr Waller
Mr Bolt
Mr Kelen
Miss Roberts
PMG

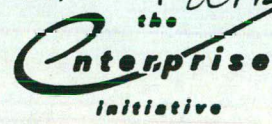
The Initiative stems from a challenge which I issued when I was Secretary of State for Employment. A number of reports had confirmed what we already knew, that in general British firms do not give nearly enough priority to the training and development of their managers. So in November last year, the CBI and the British Institute of Management together launched what was then known as the Charter Group with the aim of raising the status and competence of managers throughout the private and public sectors.

... The MCI has now produced its first major output, a code of good management practice, of which I enclose a copy. The Code stresses the continuous improvement by member organizations of their management development practices with the aim of securing better managers, both now and for the future. The Code has no nationally prescribed targets, but member organizations are required to commit themselves to make progress, to have annual top level corporate review of progress, and to set fresh targets for further improvements. The results will be reported to the MCI and communicated to staff.

Mr Johnston - GAD
Mr Ladd - NILO
Mr Bridgeman - RFS
Mr Anderson - PGO

Mr Patterson - UNS
Mr Taylor - Col
Mr Gannett - AM

Mr Dole - HMs
PS LCE
PS IK





the department for Enterprise

The Code will be launched at the CBI Conference in November. In the meantime, there will be a publicity campaign starting at the end of this month, and the MCI will be signing up organizations as founder members. Closely related to this work will be the drawing up of a new and simplified framework of management qualifications. This is likely to be a long job, although it is hoped that an outline will be ready by the end of the year.

As I have already said, the Initiative covers organizations in the public sector. In a number of respects Government Departments have a good story to tell. The annual staff reporting system, for example, almost certainly compares favourably with that of many companies, and the design of our new management development programmes is good. But there is still plenty of room for improvement. Although, like any other worthwhile investment, it may call for resources up front, I am sure that the potential benefits of membership more than justify any outlays. DTI, Cabinet Office and the DE Group have already stated their commitment to join the Initiative. I urge you, and other colleagues whose Departments have not yet done so, to commit them to join, to include the improvement of management development in Departmental Management Plans and also to draw the MCI to the attention of those non-departmental bodies which report to you.

I look forward to hearing from you and colleagues.

I am sending copies of this letter of the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

CODE OF PRACTICE (THE MANAGEMENT CHARTER)

- 1 Management development - a prime corporate objective: We are dedicated to the sustained success of our organisation by making the most of the existing talents and future potential of each employee. To this end, we will translate our corporate objectives and the related plans into complementary programmes for the development of our managers at all levels throughout the organisation. The way in which this is done will be appropriate to the scale and nature of our organisation.

- 2 The means - systematic self development: We will encourage all practising and aspiring managers to engage in individual programmes of continuous self-development, each consistent with the best interests of the organisation. In adapting the organisation in response to change, we will strive both to enhance its performance and, where possible, to reinforce this by providing suitable development opportunities for those involved in the changes. We will encourage our managers to regard each work assignment as offering potential for self-development.

- 3 Planned development and corporate support: We will work jointly with individual managers to meet the career options open to them and plan the associated programmes of functional and management development - recognising that management responsibility often follows the development and practice of functional expertise (engineering, finance, marketing, etc). Consistent with the needs and demands of the job, we will ensure that they have access to relevant, timely sources of knowledge, advice, coaching and complementary events or activities. We will provide the

requisite support, including time released from the job. As regards the latter, we will set ourselves demanding standards, allowing that the management of change creates frequent opportunities for in-house developmental activity which directly serves a business need.

- 4 **Recognised qualifications - a stimulus to self-development:** We want to motivate our managers to go on developing and updating their management expertise by giving them the opportunity to obtain recognised management qualifications in the course of their planned self-development. We will encourage such employees to obtain qualifications relevant to their work-based development - functional and managerial. To facilitate this, we will co-operate with the professional bodies concerned.

- 5 **A manager's responsibility for the individual and collective development of colleagues:** We want all managers responsible for supervising people, leading teams and task forces to contribute actively to the individual and collective development of those working with them, as well as their units of the organisation - coaching, participating in development-related events such as courses, seminars, workshops and briefing sessions, and where appropriate acting as personal advisers to other employees. The performance of the individual manager or supervisor in this regard will be given full weight in his or her assessment.

- 6 **A coherent framework for systematic development:** We will operate a system of development planning, personal target setting, performance appraisal and performance-related advancement and reward which is understood by the managers concerned, makes clear what is

expected of them and provides feedback on individual performance.

- 7 Mutually-beneficial collaboration through networks: To derive greater benefit from management development and thereby contribute to the success of our organisation, we will participate actively in the appropriate networks of the Management Charter Movement, notably for example Local Employer Networks. Through such networks we aim to encourage the providers of educational and training support for management development to meet the needs of our organisation and the other participants in the most effective way as regards relevance, accessibility, convenience and cost. Also through such networks we will share ideas, experience and resources - in all advancing the practice of management.
- 8 The two-way benefits of close links with the providers: Directly, or through the networks in which we participate, we will establish and maintain close links with those providers of management education and training which meet our management development needs. Through these links we will encourage a two-way flow of ideas and experience; the providers contributing to the achievement of our corporate objectives by helping our managers tackle live problems; and our managers enhancing the provision of management education by contributing their firsthand knowledge and experience.
- 9 Strengthening the links between business and education: Further strengthening of the links between business and education will increase the stock of well-educated young people motivated to enter organisations and develop their potential as managers. Where possible, and where

there is scope for our organisation to contribute in this regard, it will do so.

10 **Commitment to make progress to review and to communicate:** We will publicise our commitment to the undertakings of this Code of Practice to our employees, to the providers of management education and training support with which we have associations, and the other participants in our networks. A director or equivalent member of the top management team will be made responsible for overseeing the fulfilment of this commitment. Initially, and at least once a year thereafter, we will conduct a board-level review - or equivalent corporate review - of our progress in relation to the undertakings of this Code, with the aim of increasing the scope and effectiveness of our investment in management development. The highlights from this review (including quantitative measures of the effort devoted to management development) and our new targets will similarly be publicised.

P 4-9 JUN 1988 7

BE for
 Prayers

FROM: C W KELLY
 DATE: 9 June 1988

1. DAME ANNE MUELLER / 24/6/88
2. PAYMASTER GENERAL

cc: Mr Chivers
 Mr G Jordan
 Ms Seammen O.R.
 Mr Strachan
 Mr Truman
 Mr Pettifer
 Mr Faulkner

Copies attach for:

Sir Peter Middleton
 Mr Tyrie

mp

ENCOURAGEMENT TO JOIN TRADE UNIONS

Mr Truman's minute of 6 June below raises a troublesome issue which we would welcome the chance to talk through with you.

2. The immediately important issue is what if anything we should say in our new model letters of appointment for short term contracts about our attitude towards membership of trade unions in the Civil Service. But of course it has implications well beyond that.

3. My own view is that in principle we ought to be fairly neutral about union membership, neither encouraging nor discouraging it while at the same time encouraging those who do join to play an active part so that union leadership is fully representative. This (of course) should go hand in hand with continuing to reduce union power and influence in other ways

4. The difficulty is how to get there from here. There is a deeply imbued tradition in the unions and in many departmental managements that honestly believes union membership to be both in civil servants' own interests and helpful to management. I doubt that tackling that head on as a matter of principle would be a sensible way of proceeding. What matters is not so much what we say as what we do and provoking a row now on a point of principle might actually get in the way of more substantial objectives.

210/16

5. The key point for the unions will be whether we are prepared to continue to "encourage" membership. My own view is that we should be prepared to say that we do wherever a statement of our attitude is unavoidable using something like the minimal form of words suggested by Mr Truman (the traditional formulation is clearly well over the top and quite unacceptable). But wherever possible, and the model contracts may be such an occasion, I would favour simply omitting any reference altogether in anything new for which we are responsible.

6. If we took this approach we should also encourage (but not direct) other departments to do likewise.

C W KELLY

enc

It would be helpful to have a meeting with the Paymaster both about our general stance & the immediate issue of the letter of appointment.

Wm
9/4

FROM: D A TRUMAN

DATE: 6 JUNE 1988

1. MR KELLY ^W _{ak}
2. PAYMASTER GENERAL

cc Sir Peter Middleton
Dame Anne Mueller
Mr Chivers
Mr Gilhooly
Mr G Jordan
Mr Strachan o.a.
Mr Pettifer
Mr Faulkner
Mr Tyrie

"ENCOURAGEMENT TO JOIN TRADE UNIONS"

Background

The very strong tradition of trade unionism in the Civil Service goes back over 70 years to the formation of the Whitley system. Indeed it has been the policy of management under successive Governments to encourage membership of trade unions as "the best means of securing the widest co-operation between the State as employer and the general body of civil servants". This policy has been enshrined in various documents covering staff across the service at national and departmental level and, moreover, has long featured in the schedule to letters of appointment of new civil servants. Typical wording of such letters is:

"Management regards it as being very much in the civil servant's own interests to belong to a trade union which can support an officer in reasonable claims and represent points of view on all kinds of questions affecting welfare and terms and conditions of service, and staff are strongly encouraged to join the appropriate trade union".

The obsolete 1979 handbook on Staff Relations in the Civil Service (not changed in substance since 1965) says that civil servants are "encouraged to belong to associations". The

MANAGEMENT IN CONFIDENCE

same words are used in the only extant section Na of Estacode (the remainder of which has been replaced by the Code and Guide). There is no doubt that this approach reflects the traditional assumptions of Whitleyism. But, perhaps, it also reflects times when management/union relationships were somewhat different and the unions themselves were more akin to staff associations.

2. This tradition of encouraging civil servants to join trade unions was cited by the latter in the course of the legal proceedings over the GCHQ trade union ban. Following that event, and taking account of the Government's overall policy towards trade unions as exemplified by its industrial relations legislation, we took the view that this phrasing was inappropriate. In 1985 we attempted, in a proposed booklet for new entrants to the Civil Service, to adopt wording to the effect that individuals were free to join the appropriate trade union of their choice. (Much of the other wording which read rather like a trade union public relations handout was also dropped or put more objectively.) The result was a serious row with the trade unions (still smarting over GCHQ) which culminated in exchanges at that year's Long Term Issues Meeting between the Head of the Civil Service and the General Secretaries. The unions mounted a service-wide campaign asking their Establishment Officers to write to the Treasury. A number did so endorsing (tacitly or explicitly) the line that nothing should be done to discourage trade unionism anywhere in the Civil Service. In due course, the booklet was abandoned and the question was never resolved.

3. Departments thus continue to issue appointment letters with the "encouragement" phrase in the schedule. Even the Department of Employment, which tends to take a reasonably robust approach to its industrial relations, as recently as April this year issued a note to all staff about personnel management which, having referred to its commitment to Whitleyism said:

"It is for you to decide whether to join a recognised trade union. You are encouraged to do so, but if you do, to play a full part and ensure your views are represented".

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Current developments

4. We now have to issue new model letters of appointment for short term contracts for use by departments. Moreover, in the course of following up the various recommendations in the Alternative Working Patterns Report, we shall have to produce specially tailored model contracts. The unions and probably some managements, doubtless, will expect to see the inclusion of the traditional statement about unionism. Given the Government's overall policy in industrial relations and trade unions in particular, our not unsuccessful attempts in recent years to distance ourselves to some extent from our own unions, for example, the imposition of pay, the question of consultation, reductions in facilities and so on, we have been considering whether we should stick to the existing formulation or adopt some other and a less warm of wording. Any change, however, might well cause a repetition of the 1985 row with the unions and in that event we may get little support from departments. (Not least because they will wish to avoid - in their view unnecessary - rows with their own trade unions.)

Way forward

5. It would be very helpful to know the Paymaster's own views on this. However, on the assumption that since the traditional wording cannot really be said to reflect our current stance, we suggest for consideration the adoption of the formulation below. This acknowledges the change in the climate while nodding in the direction of unions susceptibilities.

"The trade union representing your grade is the.....
and it is for you to decide whether to join. You do so,
you are encouraged ~~to do so~~ to play an active part, and
ensure your views are represented."

6. This does not entirely remove the reference to "encouragement". On the other hand it is considerably less fulsome than the traditional statement and probably would just about be acceptable to the unions and to departmental management.

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Moreover, we have to acknowledge a degree of ambivalence towards union membership. The main danger as was shown by the recent history of the CPSA, is that unless the average moderate member takes an interest, control of unions can all too readily be seized by highly politicised activists. In that sense, moderates do need encouragement.

7. If we proceed as proposed, we would insert the revised phraseology in the schedules to the new appointments letters as and when these are produced. We would not specifically draw the unions attention to the change although they would no doubt spot it in due course. We would, however, wish to draw the attention of the Establishment Officers to the change and encourage them to revise their own departmental literature.

8. I understand you wish to discuss these matters.



D A TRUMAN

MANAGEMENT IN CONFIDENCE



Board Room
H M Customs and Excise
New King's Beam House
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Telephone: 01-620 1313

FROM: THE CHAIRMAN

DATE: 10 JUNE 1988

Chy content?

*Man Thel.
Control.*

mpw 10/6

Chancellor of the Exchequer

cc Economic Secretary

Sir P Middleton

Mr Battishill, IR

NEXT STEPS CANDIDATES

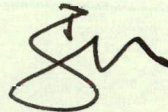
I understand that a request has gone out from the OMCS to departments for an analysis of which of their activities are or might become candidates for agency treatment. This is to help gather material for a report on progress and prospects to the Prime Minister before the recess. Departments are being asked to analyse their activities into the following categories: initial agencies already announced; other candidates already identified; other areas of work currently being examined; possible further ideas; and activities unlikely ever to become an agency. You may find it helpful to have my views about where Customs and Excise should stand in relation to all this.

2. As I see it, we do not fit in to any of the boxes devised by the Next Steps team. I think we are in a sixth category; a full department reporting to you (and the Economic Secretary under you) which already exhibits many of the main characteristics of an agency and for which further major structural change is therefore not needed. From our earlier discussions, I imagine that this accords with your own approach. (We have prepared a detailed internal analysis of how far we do match up to the agency framework, and I should be glad to send it to you and the Economic Secretary if you would like to see it at this stage.)

Internal circulation: Mrs Strachan
Mr Russell

3. Putting us into a sixth category would not be a declaration that Customs and Excise should be immune from all change. I am aiming to make further progress in improving our management, including sharpening up accountabilities within the department; and we shall be looking for further managerial flexibility where we can demonstrate that it is necessary to enable us to do our job cost-effectively. But these are matters we can pursue in the normal course of business, consulting Treasury Ministers and officials as appropriate, and this approach would avoid arousing expectations of an unnecessary constitutional upheaval.

4. If you are content with this approach, then we will let the Next Steps team know. I have, of course, made it clear in all contacts with them that your own position is fully reserved.



J B UNWIN

MANAGEMENT IN CONFIDENCE



MP

FROM: MISS M P WALLACE

DATE: 13 June 1988

MR UNWIN - CUSTOMS & EXCISE

cc PS/Economic Secretary
PS/Sir P Middleton

Mr Battishill - IR

Mrs Strachan - C&E

Mr Russell - C&E

NEXT STEPS CANDIDATES

The Chancellor was most grateful for your minute of 10 June, and is content with the approach you propose.

MPW

MOIRA WALLACE