

• PO-CH/NL/0465 PTA

Part. A.

CONFIDENTIAL
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Begins: 15/11/88
Ends: 26/7/89

THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

PO CH / NL / 0465 .
Pt. A.

Chancellor's (Lawson) Papers:
The Police Force Pay and Conditions of Service.

DD 's: 25 Years

[Signature]

14/2/96

PO CH / NL / 0465 .
Pt. A.

BF 187M



*BF 23/11 Mrs P
Can BF?*

Caxton House Tothill Street London SW1H 9NF

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| CHIEF SECRETARY | |
|-----------------|---|
| REC. | 16 NOV 1988 |
| ACTION | <i>Mr de Berker,</i> |
| COPIES TO | <i>Mr Sir Middleton, Mr Anson, Danae Mueller, Mr Phillips, Miss Case, Mr Tombull, Mr Rowley, Mr Cusker, Mr Seaman, Mr Amis, Mr Potter Mr Brook, Mr Call</i> |

The Rt Hon John Major MP
Chief Secretary
H M Treasury
Parliament Street
LONDON
SW1P 3AG

Dear John

Nov 15

POLICE PAY REVIEW

I was very disappointed to see Douglas Hurd's proposal, in his letter of 7 November, that the PNB Official Side should be pressed to drop the case for moving to a retention allowance for the Metropolitan Police.

The arguments for replacing the existing London allowance were considered by E(PSP) during the summer, when Douglas was arguing for the change as a response to the retention problem which would not adversely affect recruitment. I also support the idea as a means of demonstrating practical Government support for the sort of labour market and pay flexibility that is so central to our continuing economic success. The lessons of the examples we set are not lost on other pay negotiators.

The reasons for not pursuing the suggested change are I believe open to question. To begin with, the easing of the retention problem this year rests on a very unsure foundation, as Douglas explains. As to the level of allowance, it must surely be possible to find the optimum trade-off between retention and recruitment effects. If necessary, other alternatives to the 5 year period could be explored. The plan



not to reimburse community charge applies to all police officers everywhere. The anticipated recruitment problem arising from the coming reduction in numbers of young people will similarly affect all employers; but it can be dealt with flexibly when it really starts to bite.

I should therefore like to see the proposal kept open, in some form or another.

I am copying this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King and Sir Robin Butler.


[Handwritten signature]

CONFIDENTIAL

BF 9/12

FROM: J de BERKER

DATE: 23 November 1988

1. MS SEAMMEN 
2. CHIEF SECRETARY

cc. Chancellor
Sir Peter Middleton
Dame Anne Mueller
Mr Anson
Mr Phillips
Mrs Case
Mr Turnbull
Mr Revolta
Mr A M White
Mr Potter
Mr Brook
Mr Call

POLICE PAY REVIEW

In his letter to you of 15 November Mr Fowler expressed his disappointment that Mr Hurd has now dropped his proposal to change the London allowance for Police in London to a retention allowance for experienced officers. He hopes the proposal can be kept open in some form or another, as it is a means of demonstrating practical support for the sort of labour market pay flexibility central to Government policy for economic success.

2. We can agree that encouraging employers to make a flexible response to labour market conditions is vital to Government policy, and where this is appropriate the Government should set an example. But if there is no longer a retention problem for experienced officers, and Mr Hurd considers that a nil cost scheme along the lines envisaged in the papers for EPSP E(PSP) would produce a recruitment problem, it must be right to drop this proposal. However, the forthcoming fall in the number of school leavers will provide an appropriate opportunity to demonstrate the Government's commitment to a flexible response to labour market realities. For the Metropolitan Police an important part of the response should not be on pay, but to step up the existing efforts to recruit ethnic minorities, and older men and women.

CONFIDENTIAL

Previous Correspondence

3. Police in London get London Weighting, and also a London Allowance which has been frozen at £1,011 since 1982. In his letter of 11 October Mr Hurd put a proposal to restructure London Allowance into a Retention Allowance which would have involved additional expenditure. The background is discussed in my submission of 25 October.

4. In your reply of 2 November you rejected this on the grounds that the papers on this for E(PSP) had been on a nil cost basis. You suggested that if it was not possible to reform the allowance on this basis it should remain frozen.

5. In his reply of 7 November Mr Hurd accepted this on the grounds that there was no longer a retention problem, in any event the extra payment to officers with five or more years service (£440) would give little additional incentive to stay in London, and reducing the pay of officers with less than five years service by £1,011 would probably reduce recruitment. It would also make it harder for the Metropolitan Police to meet its manpower recruitments when faced with the coming fall in the number of school leavers.

Recruitment of Ethnic Minorities

6. The first initiative to recruit ethnic minorities to the Metropolitan Police was in 1975 with a further impetus after the Scarman Report on the Brixton Riots in 1981. There are now 420 officers from ethnic minorities - about 1½% of the Force's strength. But in Greater London about 1/5 of the population between the ages of 18 and 30 are from ethnic minorities. Since this is the age group from whom the police recruit, and since ethnic minorities have a higher unemployment rate, it is clear that further progress must be possible.

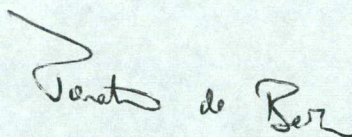
Recruitment of Women and Older Age Groups

7. Currently only about 10% of the police are women. There must be some scope to increase this proportion, especially if it is coupled with raising the recruitment age. We understand that the Commissioner of the Metropolitan Police is considering proposals to raise the recruitment age from 30 (40 for ex servicemen) to 45, although he has not yet formally approached the Home Office. He is concerned that there is too high a proportion of young policemen and that this is affecting the quality of policing.

Conclusion

8. Mr Hurd may be surprised to receive your endorsement for anything he proposes on Police Allowances. But since in this instance he has done as you have asked, we think you will want to support him. It also provides a convenient opportunity to remind him of the cost effectiveness of stepping up efforts to recruit from ethnic minorities and other non traditional sources of police recruitment.

9. HE are content.



JONATHAN de BERKER

CONFIDENTIAL

DRAFT LETTER

FROM: CHIEF SECRETARY

TO: MR FOWLER

ccs Prime Minister, Other Members of E(PSP), Malcolm Rifkind,
Tom King and Sir Robin Butler

POLICE PAY REVIEW

Thank you for your letter of 15 November.

I agree that encouraging employers to make a flexible response to labour market conditions is vital to the Government's policy, and that where this is appropriate we should not hesitate to set an example. But if there is no longer a retention problem for experienced officers, and Douglas considers that a nil cost scheme along the lines envisaged at E(PSP) could produce a recruitment problem for junior police officers, it must be right for him to drop this proposal.

The forthcoming fall in the number of school leavers will provide an appropriate opportunity to demonstrate our commitment to a flexible response to the realities of the labour market. For the Metropolitan Police an important part of the response should be to step up the existing efforts to recruit ethnic minorities and to recruit older men and women.

I am copying this to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King and to Sir Robin Butler.



- cc:
- Chancellor
- Sir Peter Middleton
- Dame Anne Mueller
- Mr Anson
- Mr H Phillips
- Mrs Case
- Mr Turnbull
- Ms Seammn
- Mr de Berker
- Mr Revolta
- Mr A M White
- Mr Potter
- Mr Brooke
- Mr Call

Treasury Chambers, Parliament Street, SW1P

The Rt Hon Norman Fowler MP
 Secretary of State for Employment
 Department of Employment
 Caxton House
 Tothill Street
 London
 SW1H 9NF

MP

29th November 1988

Dear Norman,

POLICE PAY REVIEW

Thank you for your letter of 15 November.

I entirely agree with you that encouraging employers to make a flexible response to labour market conditions is vital to the Government's policy, and that where this is appropriate we should not hesitate to set an example. But if it is Douglas' advice that there is no longer a retention problem for experienced officers, but that a nil cost scheme along the lines envisaged at E(PSP) could produce a recruitment problem for junior police officers, then, despite its wider attractions, it must be right for him to drop this proposal.

The forthcoming fall in the number of school leavers will provide an appropriate opportunity to demonstrate our commitment to a flexible response to the realities of the labour market. For the Metropolitan Police an important part of the response should be to step up the existing efforts to recruit from a wider in-take including older men and women and ethnic minorities.

I am copying this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King and Sir Robin Butler.

John Major

JOHN MAJOR



| | |
|-----------------|---------------------------------------|
| CHIEF SECRETARY | |
| REC. | 05 DEC 1988 |
| ACTION | Mr de Becker, |
| COPIES | 15 (C) Sir Philip Stott, Mr Anson, |
| | Mr Phillips, Mrs Case, |
| | Mr Turnbull, Mr Revolta, Mr CusKerry, |
| | Ms Crammen, Mr Amwhite, Mr Potter, |
| | Mr Brook, Mr Call |

QUEEN ANNE'S GATE LONDON SW1H 9AT

5 December 1988

2

Dear John,

POLICE PAY: REVIEW OF ALLOWANCES

At a meeting of the Police Negotiating Board (PNB) on 29 November, agreement was finally reached on the terms of reference for arbitration on the rent allowance issue. The hearing will now be arranged but no date has yet been fixed. If it takes place before the end of the year, which I understand is a possibility, then the decision might be with us by the end of January.

As expected, the Official Side dropped their proposal to replace the London allowance by a new allowance payable only to officers with five years' service or more in one of the London forces. They rejected the Staff Side's claim that the London allowance should be increased by 8.5%, in line with pay, and the Staff Side decided not to refer their claim to arbitration. This was a satisfactory outcome in the circumstances.

The two sides invited the independent Chairman to rule on the Staff Side's contention that the reimbursement of NHS charges was not a matter for negotiation in the PNB and so could not be referred to arbitration. He came down firmly in favour of the Official Side's view that the issue was arbitrable. However, his ruling is not binding on the two sides and it seems likely to be some time before the issue goes to arbitration.

I am copying this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King and Sir Robin Butler.

Yours,
Douglas

PS. Is it really impossible
to meet the 1 April
deadline? That
to v. Sas.
Advice pss.



EC(PSP)

Ch/

You will see that
Mr Hurd suggests
we may need a
meeting in the
1st week of March.
Obviously v. undesirable.
I have asked G Manper
to apply himself
to averting this, if
an acceptable way
can be found.
mpw.

Andth.

0037



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| CH/EXCHEQUER | |
| REC. | 10 JAN 1989 |
| ACTION | CST |
| COPIES TO | |
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QUEEN ANNE'S GATE LONDON SW1H 9AT

9 January 1989

Dear John,

POLICE RENT ALLOWANCE

In my letter of 5 December I said that the Police Negotiating Board (PNB) had at last reached agreement on the terms of reference for arbitration on the rent allowance issue.

Although the Official Side Secretary, on the insistence of my officials, pressed very hard for an early arbitration hearing, this proved impossible to arrange and the hearing has been fixed for 3 February. I understand that the arbitrators expect to deliver their award within a month. We are doing what we can to speed up this process but ultimately we are in their hands.

Very busy | This will almost certainly not give sufficient time for new rent allowance arrangements to be in place before the new community charge comes into effect in Scotland on 1 April. The Police negotiating Board Act 1980 requires me to consider any recommendation of the PNB (the arbitration decision will count as such a recommendation) before amending Regulations are made. I cannot start this process, and the necessary consultation with colleagues, until I have the decision. Then, when we have decided what the policy should be, a draft of the amending Regulations to give effect to it must be sent to the PNB, and any representations considered before the Regulations can be made.

Any attempt to short circuit these processes is bound to expose me to judicial review. There is, therefore, a real risk that from 1 April Scottish police officers (who will not be reimbursed the community charge) will be worse off than their counterparts in the rest of the United Kingdom (who will continue to be reimbursed rates).

A further unfortunate effect of the PNB missing the 1 April deadline is that a number of forces (including the Metropolitan Police and the RUC) are due for a review of their maximum limits of rent allowance on that date. My officials are considering urgently whether it would be open to me to take action to stop the reviews or to refuse approval to increased maximum limits fixed by police authorities in the light of such reviews. It seems likely, however, that any such course would again expose me to a serious risk of an adverse judicial review. But I have commissioned further work on the best way of preventing the reviews from tying our hand.

Whatever happens, it is clear that a decision must be agreed between us as soon as possible after the arbitration award is delivered. This points to a meeting of E(PSP) as early as possible in March.

I am copying this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King and Sir Robin Butler.

✓
Lover,

Douglas.

15/2/89

Reference No: E 0669

CHANCELLOR OF THE EXCHEQUER

Oh, clearly, you cannot not change any meeting
pre-budget. Plan on basis of your choosing,
post-budget? Or explore possibilities of
Mr Fowler choosing?

E(PSP): Police Pay

The Home Secretary and Scottish Secretary have both written to you recently to suggest a meeting of E(PSP) early in March to consider police pay.

2. The reason for this suggestion was as follows. The proposed changes in police rent allowance, broadly as wanted by E(PSP), have gone to arbitration. The hearing was on 3 February, and the arbitrators are expected to give their award by the end of February or beginning of March, although the timetable could slip.

3. It would have been desirable to get any changes in allowances in place before 1 April. This is because on that date several police forces are due for a review of rent allowance, which is likely to produce increases of up to 30%, costing £20-30m a year. Mr Rifkind sees it as another reason for urgency that rates end in Scotland on 1 April. Scottish policemen will then automatically lose reimbursement of rates and will be worse off than English policemen unless the new system has been introduced throughout the UK.

4. That is the case for a meeting of E(PSP) to decide on the reaction to the arbitrators' award as soon as it is known. Normally we would have suggested that such a meeting should be held. But since such a timing would be highly inconvenient, we have considered carefully, with the Departments concerned, whether anything would really be lost if the meeting was postponed until after the Budget.

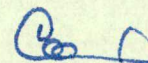
5. We cannot say exactly how the arbitrators' award should be dealt with until we know its content and timing. But as far as we can see at the moment postponement of E(PSP) until after the Budget would make no real difference. The Secretary of State will need to make regulations to introduce the new system, and is required to consult the Police Negotiating Board about them. The Home Office legal advice is that he would be at risk of judicial review if he tried to complete

this process so as to make the necessary regulations by 1 April. Hence we are already too late for 1 April, and if the timetable slipped by a couple of weeks nothing further would be lost except the savings for that period.

6. If therefore you wanted to postpone E(PSP) until after the Budget, there would be grounds for doing so. At official level the Home Office and Scottish Office now accept this.

7. There is however another option, if you did not want to chair a meeting before the Budget: that it should be held under another Chairman. The next most senior member of the Committee is the Home Secretary, who would probably be inappropriate, and after him the Employment Secretary. The case for an early meeting under Mr Fowler is that as soon as the arbitration award is known, there could be great pressure for a decision from both inside and outside Government. The Home Secretary for example might say that if the Government intends to overrule the arbitrators it should say so straight away. He could suggest going straight to a meeting under the Prime Minister - although he may do this even if there is an early E(PSP).

8. Even if you were inclined towards an early meeting chaired by Mr Fowler it would be sensible to postpone a final decision until we know the timing and content of the arbitrators' award. For example, there could be a third option: acceptance of the award. This might avoid the need for a meeting altogether. It might involve giving up at least some of E(PSP)'s objectives, but Ministers may want to avoid an argument with the police if there is a prospect of major disturbances, for example in the prisons or docks, because of decisions elsewhere.



G W MONGER

Economic Secretariat
15 February 1989

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

[Handwritten signature]

5
The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

| | |
|--------------|-------------|
| CH/EXCHEQUER | |
| REC. | 22 FEB 1989 |
| ACTION | CST |
| COPIES TO | |
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| | |

22/2
21 February 1989

Dear John

POLICE RENT ALLOWANCE

I have seen copies of Malcolm Rifkind's letter to you of 26 January and your reply of 7 February.

I understand Malcolm's concern about comparisons between Scotland and the rest of Great Britain during 1989/90. As you point out, however, the position in Scotland is purely a consequence of the decision to introduce the community charge one year earlier than in England and Wales. E(PSP) has decided that compensation for rates should be ended without introducing compensation for the community charge, and it must be right to apply that decision in Scotland from 1 April 1989: to do otherwise would be to undermine the principle underpinning the E(PSP) decision.

[Handwritten signature]

NICHOLAS RIDLEY



FROM: J M G TAYLOR

DATE: 20 February 1989

A large, stylized handwritten signature in black ink, likely belonging to J M G Taylor.

MR MONGER - Cabinet Office

E(PSP): POLICE PAY

The Chancellor was grateful for your note of 15 February.

2. He would be grateful if you could explore the possibilities of Mr Fowler chairing a meeting.

A smaller, stylized handwritten signature in black ink, likely belonging to J M G Taylor.

J M G TAYLOR



CONFIDENTIAL

Reference No E 0679

CHANCELLOR OF THE EXCHEQUER

| | |
|--------------|--------------------------|
| CH/EXCHEQUER | |
| REC. | 8 MAR 1989 |
| APPROVED | EST. S. P. MIDDLETON |
| COPIES TO | DAME A. MUELLER |
| | MR ANSON |
| | MR PHILLIPS |
| | MR C-W. KELLY |
| | MR LOMAX, MR CASE, |
| | MR MORTIMER, |
| | MR A. WHITE, MR SEAMEN, |
| | MR POTTER, MR DE BERKER, |
| | MR BROOKE, MR CALL |

8/3

Police Pay

The Home Office tell me that the Police Arbitration Tribunal have asked the official side and staff side to see them next Monday morning, 13 March, to hear the Tribunal's award. It is of course bound to become public later that day.

2. The Home Office say that the procedure of calling in the two sides is unusual. It may indicate that the Tribunal are anxious to explain to the staff side an award which they will find unwelcome. They would not, the Home Office think, be so concerned about the susceptibilities of the official side. But all this is speculative, and very little weight can be put on it.

3. Following your reply to my earlier minute, we shall, if you are still content, arrange an early meeting of E(PSP) under Mr Fowler's Chairmanship, probably in the week of 20 March. It may not of course be needed if agreement can be reached in correspondence on acceptance of the Tribunal's award.

Ch/ That week is a pretty busy one for you. So I'll ask Mr Monger to put Mr Fowler on stand-by. OK?

(Signature)
G W MONGER

Economic Secretariat
Cabinet Office
8 March 1989

015

CONFIDENTIAL



FROM: D I SPARKES

DATE: 9 March 1989

MR MONGER - Cabinet Office

E(PSP): POLICE PAY

BF
14/3
pn p

The Chancellor was grateful for your note of 8 March. He would be grateful if you would arrange, on a contingency basis, an early meeting of E(PSP) under Mr Fowler's chairmanship, as you suggest.

D.I.
DUNCAN SPARKES

- cc PS/Chief Secretary
Sir P Middleton
Dame A Mueller
Mr Anson
Mr Phillips
Mr C W Kelly
Mrs Lomax
Mrs Case
Mr Mortimer
Mr A White
Ms Seammen
Mr Potter
Mr de Berker
Mr Brooke
Mr Call



| | |
|--------------|------------|
| CH/EXCHEQUER | |
| REC. | 7 APR 1989 |
| ACTION | CST |
| COPIES TO | |
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QUEEN ANNE'S GATE LONDON SW1H 9AT

6 April 1989

Dear Chancellor,

POLICE RENT ALLOWANCE

As you may know, we now have the decision of the police Arbitration Tribunal. I enclose a copy.

The Tribunal have agreed with the Official Side that the community charge should not be reimbursed. They have, however, devised a new housing allowance which includes all the amount now reimbursed for rates, thus cancelling out any potential savings.

Similarly, the Tribunal have accepted that compensatory grant should be abolished, but this is on a phased basis over a five year period. Moreover, all the savings are to be used to make their proposed new housing allowance pensionable.

The method of uprating the allowance has been remitted for further discussion in the Police Negotiating Board. The Tribunal have, however, made it clear that they will not accept the general Retail Prices Index and want something more closely related to housing.

There are several matters on which the Tribunal have determined that further discussions should be held between the two sides. The most important of these are the uprating index, the arrangements for fixing the rent of officers in provided accommodation, the precise methods of settling the levels of new housing allowance, and the attitude to be taken to reviews of rent allowance which are due in several forces in the near future. There is also the large question of what is to be done in Northern Ireland.

This is a disappointing outcome. On the matters which the Tribunal have reached a decision, we have achieved the form without the substance. We have gained two important points of

/principle

The Rt Hon Nigel Lawson, MP
Chancellor of the Exchequer

principle (no reimbursement for community charge, no compensatory grant) but the savings which could have resulted have been sucked back into the allowance system. On several matters the Tribunal have simply passed the buck. There is very little recognition of the potential impact for the costs of rent allowance or the ability of the Government and of police authorities to pay for the ever increasing number of police officers which we have provided since 1979.

I have looked carefully at the options, and conclude that we have little choice but to contribute as best we can to the further negotiations which the Tribunal have called for. I recognise that E(PSP) colleagues may believe that I, Malcolm Rifkind and Tom King should now intervene to set aside those parts of the Tribunal's award which do not accord with the proposals made by the Official side. I have a great deal of sympathy with this approach in principle. Unfortunately I do not believe that it is feasible either on legal or on policy grounds.

.... I attach a paper which analyses, on legal advice, the scope for intervening at this stage (while the statutory negotiating machinery is still running). The paper also explores the case for setting aside the Tribunal's decisions where they are unfavourable to us, in whole or in part at a later stage. The broad conclusion is that, on legal grounds alone, it would be unsafe to depart from the Tribunal's award, certainly until the statutory negotiating machinery has run its course.

The worst possible scenario would be to seek to replace the Tribunal's decision with one of our own, only to have the courts find in the Staff Side's favour on judicial review. As the paper shows, there would be a very real risk of that.

The legal considerations are, however, only one aspect. There would be serious consequences for the Government's relations with the police service if it were to be seen to be contemplating the setting aside of a Tribunal decision. Even adhering to the view of the Tribunal may lead to considerable friction, especially if I come under pressure to set aside those parts of the decision which are unfavourable to the Staff Side. The Association of Chief Police Officers and the Superintendents' Association are affected as well as the Police Federation. This is obviously on other grounds a particularly bad time for a fight with the police.

The best chance of damping any reaction from the police (and we must certainly not concede anything not already conceded by the Tribunal) is to accept the results so far of the Edmund-Davies framework. We must acknowledge the fact that the negotiating machinery has, after independent arbitration, come up

/with a result

with a result that both sides must abide by. Equally both sides should approach constructively the further discussions which the Tribunal envisage.

I hope therefore that colleagues will agree albeit reluctantly with my conclusion that we should accept the Tribunal's award as far as it goes and urge both Sides to pursue expeditiously discussion of the items which the Tribunal have remitted for discussion in the Police Negotiating Board. (The next meeting of the relevant Committee is on April 17, though that is more likely to discuss procedural matters than to get very far in to actual negotiations.) I shall of course keep colleagues in close touch with the progress of the negotiations.

I am sending copies of this letter to the Prime Minister, members of E(PSP), Malcolm Rifkind, Tom King and Sir Robin Butler.

Yours sincerely,

Peter Sarr.

Approved by the Home Secretary
and signed in his absence

POLICE RENT ALLOWANCE

DECISION OF POLICE ARBITRATION TRIBUNAL

Introduction

1. The following paragraphs consider the extent to which it might be open to the Secretaries of State for the Home Departments to set aside all or part of the decision of the Police Arbitration Tribunal on rent allowance.

Scope for judicial review

2. Under the constitution of the Police Negotiating Board, a decision of the Police Arbitration Tribunal is formally binding on both the Official and the Staff Sides and becomes a recommendation to the Secretaries of State for the Home Department. They are in theory free to reject such recommendations and substitute decisions of their own, but in practice they may not be wholly free to do so. This is because they not act unreasonably or contrary to any legitimate expectation which may have arisen over the years; if they do so act they will be vulnerable to judicial review.

3. In the case of the rent allowance Decision, there is the additional complication that the Tribunal have not settled the matter finally. Several major issues have been remitted to the Police Negotiating Board for further consideration. The Police Negotiating Board is a creature of statute whose duty it is to negotiate on matters relating to police pay and conditions of service and to make recommendations to the Secretaries of State (after arbitration if necessary).

4. The Secretaries of State would arguably be acting ultra vires, or at the very least unreasonably, if they intervened in any matter which was still under consideration by the Police Negotiating Board. Rent allowance is still under consideration by the Board in the sense that, by putting matters back to the Board for further consideration, the Tribunal has ensured that the statutory

machinery continues to run and has not yet reached the stage where final recommendations have been put to the Secretaries of State. It therefore seems necessary for the Secretaries of State for the Home Departments to wait until these further matters have been discussed in the Police Negotiating Board, and for any further arbitration on them to take place if necessary, before reaching any final conclusions on the rent allowance issues. Otherwise, they will be failing to act in accordance with the statutory machinery by which they are required to take into consideration the recommendations of the Board and to consult them about draft regulations.

5. It is also necessary to take account of previous Government commitments on arbitration awards. The Edmund-Davies Committee noted (paragraph 114 of their Report) that they had been "assured by the Home Departments that the Secretaries of State would never withhold approval of a Police Council agreement save for reasons of grave national importance". (The Police Council was replaced by the Police Negotiating Board under the Police Negotiating Board Act 1980.)

6. An arbitration award is binding on both Sides of the Police Negotiating Board and has the status of an agreement which goes forward as a recommendation to the Secretaries of State for the Home Departments. In paragraph 117 of their Report the Edmund-Davies Committee said

"We would.... like to place on record our view that any award by the Police Arbitration Tribunal should be set aside only for reasons of the utmost national importance".

7. The Edmund-Davies Committee's Report was accepted by the (Labour) Government of the day and that acceptance has since been endorsed by the present administration. No arbitration award has been set aside so far. There is therefore a legitimate expectation that an arbitration award will not be set aside unless the reasons for setting it aside meet stringent tests. That is to say, they must at the very least be reasons "of grave national importance" and it is arguable that they should also meet the stricter criterion of being "reasons of the utmost national importance".

8. The following paragraphs consider the scope for setting aside different elements of the Tribunal's award against this background.

Consolidation of old rates element into new housing allowance

9. The Tribunal concluded that an allowance, based on housing costs, should form a continuing part of police pay. The process of determining the level of the new allowance would involve taking the current bill, expressed as for rent and for rates, and dividing it by the number of officers concerned.

10. The Tribunal concluded that police officers should not be reimbursed the community charge in the same way as they have hitherto been reimbursed their rates. This conclusion, however, in cost terms at least, is counter-balanced by the conclusion that the total out of which the new housing allowance should be calculated should include the total amount now paid out as reimbursement of rates. The Official Side proposal had been to exclude the rates element, albeit with personal protection for officers now in service.

11. Had the Official Side been successful in its proposal to eliminate the rates element from the new housing allowance, substantial savings (estimated at about £74 million in England and Wales alone) would have been effected. It would, however, be very difficult to argue that the Tribunal's Decision on this point should be set aside for reasons of "grave" or "of the utmost" national importance. The costs concerned have been met for at least 70 years without noticeable adverse effects on the ability of police authorities to maintain their forces up to establishment. And it is not unreasonable that the Tribunal should have taken past levels of both the rent and the rates elements into account when reaching conclusions on the basis of the new housing allowance.

Rank-related levels of housing allowance

12. The Tribunal think that the present system of one level of allowance for the Federated ranks and three enhanced levels for ranks above Chief Inspector should continue as it is. This would have the effect of apparently treating the more senior ranks more

E.R.

generously than the lower ones. Although this could be unfortunate, it can hardly be regarded as a matter of the utmost national importance for the Secretaries of State to set aside the Tribunal's award on this point.

Police officers in provided accommodation

13. The Tribunal concluded that police officers in provided accommodation should receive the new housing allowance but pay rent for their accommodation on an independently fixed basis. At present, these officers occupy their accommodation free of rent and rates. They do not receive rent allowance.

14. Presumably the Tribunal envisage that the new allowance would more or less offset the new rent plus the community charge. Their conclusion is probably also linked with their decision to move towards making housing allowance pensionable, which the Tribunal see as a possible prelude to complete consolidation of the allowance into basic pay, though this must be many years away even on their calculations. Clearly consolidation into pay would be easier if all officers were receiving the allowance.

15. Since the basis for fixing rents for provided accommodation is one of the matters remitted by the Tribunal for further negotiation in the Police Negotiating Board, it is difficult to assess the effect of their conclusion. There seems, however a good chance of implementation being self-financing and there seems no obvious reason why at this stage the Secretaries of State should wish to set it aside. There certainly seems to be no grounds for arguing that it must be set aside for reasons of the utmost national importance, apart from the risk of judicial review if the further negotiation is pre-empted.

Uprating index

16. Rent allowance at present is reviewed every two years (the year and sometimes the date is different in each force) on the basis of the District Valuer's assessment of the movement in the rental value of a selected force house. A complex formula based on the resulting rateable value of the house is then applied. The

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system results on occasions in very high increases because of the scarcity value of rented property in the private sector.

17. The Official Side proposed that in future this machinery should be replaced by uprating every two years on the basis of the general rate of inflation. The Tribunal have in effect rejected this. They have suggested that uprating should be in conformity with an agreed index, to be agreed by the parties. This could, for example, be based on the average price of houses published by the Halifax Building Society or upon the national index based on housing costs.

18. The precise effect of the Tribunal's Decision would therefore depend on the outcome of further negotiations and, in all probability, further recourse to the Tribunal. It is, however, possible to compare increases over the period 1980-88 in (a) rent allowance (b) the housing element of the RPI and (c) the general RPI. The rent allowance figures, which cover three rounds of biennial reviews (1983/84, 1985/86 and 1987/88) have been weighted to reflect force establishments. Starting, in each case, from a base of 100, the figures are as follows:

| <u>Rent allowance</u> | | <u>RPI: Housing</u> | | <u>RPI: General</u> | |
|-----------------------|-------|---------------------|-------|---------------------|-------|
| 1981/82 | 100 | April 1982 | 100 | April 1982 | 100 |
| 1983/84 | 118.9 | 1983 | 99.6 | 1983 | 104 |
| 1985/86 | 138.0 | 1984 | 107.7 | 1984 | 109.4 |
| 1987/88 | 170.0 | 1985 | 125.6 | 1985 | 116.9 |
| | | 1986 | 132.3 | 1986 | 120.4 |
| | | 1987 | 144.6 | 1987 | 125.5 |
| | | 1988 | 151.4 | 1988 | 130.4 |

19. This demonstrates clearly that, over the period, rent allowance (70%) has increased considerably faster than the housing element of the RPI (51.4%). It is of course true that the police would have done better from the housing element of the RPI than from the general RPI (30.4%).

20. The safest conclusion appears to be that the Government should not intervene at this stage. It could hardly be argued that a question of the utmost national importance had yet arisen. The

matter might have to be looked at again in the light of the actual outcome of the negotiations which are envisaged but on the whole it seems unlikely that it could seriously be argued that the index used was a matter of the utmost national importance, especially if in the past such an index would have produced savings over the present method of updating rent allowance

Compensatory grant

21. Under the present arrangements, tax is paid on rent allowance in the normal way but then reimbursed by the police authority. This is known as compensatory grant. Compensatory grant is itself taxable, and the tax paid is again reimbursed, with the broad effect that rent allowance is tax free. Compensatory grant is expensive (the estimated cost in England and Wales in 1988-89 is about £87 million).

22. The Official Side proposed that compensatory grant should be abolished, subject to personal protection for serving officers. The Tribunal agreed, but said that abolition should be phased over four or five years, with the savings being used to make as much as possible of housing allowance pensionable. This means that the savings expected by the Official Side would be foregone, although they would succeed in dispensing with a separate grant and might end up in a position where they could realistically contemplate abolishing the new housing allowance altogether by consolidating it into pay.

23. Given the advantages that the Official Side have got from the Tribunal's determination on this point, albeit they would have liked an immediate saving of the whole value of the grant, it is very difficult to see how a credible case could be mounted that it was necessary to insist on the immediate abolition of the grant, with the full saving going to the Exchequer. Although the costs of the grant are considerable, they have been borne by the Government and by police authorities for very many years without untoward effect on the efficiency of police forces or the ability of police authorities to keep them up to establishment. For the same reasons that apply to consolidation of the rates element into the new housing allowance, therefore, it would probably be unsafe for the

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Secretaries of State to seek to set aside this element of the award.

Implementation date

24. The Official Side argued that the new arrangements should come into force in Scotland in April 1989 and in England and Wales and in Northern Ireland in April 1990. This was on the assumption that police officers would not be reimbursed the community charge, which was due to replace domestic rates in Scotland in April 1989 and in England and Wales in 1990. Although there are no plans at present to introduce the community charge in Northern Ireland, the Official Side proposed that officers in Northern Ireland should cease to be reimbursed their rates from 1 April 1990.

25. This would have meant that, for one year, officers in Scotland would have been paying their community charge without reimbursement at the same time as officers elsewhere in the United Kingdom were being reimbursed their rates. In view of the apparent inequity of this, the position of the Secretaries of State for the Home Departments was reserved on the date of implementation. This reservation had to be explained to the Tribunal, and a representative of the Home Departments pointed out to it that equality of treatment as between all parts of the United Kingdom - which seemed desirable - would be achieved by not reimbursing the community charge in Scotland from April 1989 and ceasing reimbursement of the rates in England and Wales and in Northern Ireland from the same date.

26. In the event the Tribunal decided that "logic dictates that change to the new pattern should take place concurrently with the introduction of the community charge in each of the areas of the United Kingdom". They therefore determined that the process should take effect from April 1989 in Scotland and from April 1990 in England and Wales and also in Northern Ireland, as far as is practicable, bearing in mind that the community charge is not likely to be introduced there on that date. The question therefore arises whether the Secretaries of State should take steps to ensure a common implementation date throughout the United Kingdom.

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27. It must first of all be observed that in two respects at least the outcome of the Tribunal's deliberations are helpful. First, they have accepted that police officers should not be reimbursed the community charge. This might well have been a matter of the utmost national importance had it turned out otherwise.

28. Secondly, because of the Tribunal's decision that the new housing allowance should be based on the total previously paid out as rent and as rates, there is no longer a real problem of inequity as between Scotland on the one hand and England and Wales and Northern Ireland on the other. Under the Tribunal's award, officers in Scotland will have to pay their community charges but they will at the same time (admittedly on a backdated basis) receive an allowance which includes an element in respect of rates even though they are no longer paying rates. They would therefore be in a roughly equivalent position to that of officers in England and Wales who will be paying rates and then having them reimbursed. Therefore the argument that a common implementation date has to be imposed on the grounds of the need to treat all parts of the United Kingdom fairly seems to have disappeared.

29. It has already been pointed out in this paper that to seek to set aside that part of the Tribunal's determination which consolidates the former rates element into the new housing allowance would be vulnerable to judicial review because it could not reasonably be shown to be a matter of the utmost national importance. If that is right, then it follows that consolidation of the rates element will have to be accepted and, that being so, the question of a common implementation date ceases to be worth pursuing.

Rent allowance reviews

30. Under existing rent allowance arrangements, certain forces are due for a review of existing rent allowances at various dates in the financial year 1989-90. The forces concerned are listed at Annex A. It should be noted that they include the Metropolitan Police and Strathclyde (Scotland's largest force), but not (as has sometimes been stated) the Royal Ulster Constabulary.

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31. The Tribunal commented that in the further negotiations which they envisaged there would be several issues on both sides that would need a sympathetic approach. In particular they said that, when the calculations took place to determine the level of the housing allowance, consideration must be given to those forces due a revaluation in the near future.

32. Legal advice taken before the Tribunal's award was received indicated that there would be formidable difficulties in the way of preventing any of these reviews going ahead. Only an amendment to Police Regulations before 1 April 1989 would have had the effect of stopping them. Such an amendment could not be embarked upon before the Tribunal's award was known without attracting a very real risk of an adverse finding by the Courts on judicial review. In the event, there simply was not time to draft and consult about amending regulations between the receipt of the award (30 March) and the review dates (1 April in many cases).

33. The receipt of the Tribunal's determination makes it reasonably clear in any case that the implementation date of 1 April 1990 will have to be accepted for England and Wales and that therefore the results of the reviews due in forces in England and Wales before then will have to be accepted too.

34. Only 14 out of the 43 forces in England and Wales are affected and, although the Metropolitan police is one of these, there is in fact a respectable case for arguing that that force should have a further review so that it can start out under the new system with an allowance which reflects up-to-date housing costs (the Metropolitan police allowance has fallen behind other forces such as Wiltshire) and the same argument applies to the City of London, Essex, Hampshire and Kent. The aim for England and Wales must however, be to ensure that new arrangements are agreed in time to cut off any reviews due from 1 April 1990 onwards.

35. This leaves the Scottish forces, where it is clear that the Tribunal are expecting the Official Side to take a sympathetic approach. Although the start date for the new arrangements is

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1 April 1989 in Scotland, it is not in fact legally possible to prevent the reviews going ahead there until amending regulations are made. They cannot, however, be made until the Police Negotiating Board machinery has run its course on the further issues remitted to it by the Tribunal. Until that happens the results of any reviews would probably have to be implemented by the Secretary of State for Scotland and, once this has been done, they cannot be amended with retrospective adverse effect. All this probably points to a common date of 31 March 1990 as the cut off point for rent allowance reviews throughout the United Kingdom.

31 March 1989

Home Office
Queen Anne's Gate
London SW1

REVIEWS OF MAXIMUM LIMITS OF RENT ALLOWANCE DUE IN 1989

| <u>1 April</u> | <u>1 May</u> | <u>1 October</u> | <u>1 December</u> |
|---------------------|---------------------|--------------------------|-------------------|
| Metropolitan Police | Cheshire | Derbyshire | Gwent |
| Avon and Somerset | | Hampshire | |
| City of London | <u>16 May</u> | Dumfries and Galloway | |
| Cumbria | | | |
| Essex | Lothian and Borders | | |
| Kent | Northern | | |
| Leicestershire | Strathclyde | | |
| South Wales | Tayside | | |
| Warwickshire | | | |
| West Mercia | | | |

POLICE RENT ALLOWANCE : BIENNIAL REVIEWS

The proposals tabled by the Official Side of the Police Negotiating Board (PNB) for changes in the present police rent allowance arrangements have been referred to arbitration. The hearing has been fixed for 3 February and the arbitrators are expected to deliver their award within a month.

2. This will not leave sufficient time for new rent allowance arrangements to be in place by 1 April, when the community charge comes into effect in Scotland. Also, a number of forces (including the Metropolitan Police) are due for a review of their maximum limits of rent allowance on, or after, that date. 19 forces are affected, including the Metropolitan police and Strathclyde (Scotland's largest force) but not the RUC. If new Regulations were made before 1 October the figure would be reduced to 15; if before 1 May to 10 (including the Metropolitan police but excluding all the Scottish forces). Annex A sets out forces whose maximum limits are due for review in 1989 and the dates from which the review is operative in each case.

3. In his letter of 9 January to the Chief Secretary, the Home Secretary said that officials were considering urgently whether it would be open to him to take action to stop the reviews or to refuse approval to increased maximum limits fixed by police authorities in the light of such reviews. This paper sets out the possible options which have been explored and the legal advice which has been given on each option. It also considers the possibility of damage limitation if nothing can be done to stop the reviews or to withhold approval of the new maximum limits arising from them.

Options for pre-emptive action

4. The Home Secretary asked officials to consider two possible options:

- a. slowing down the reviews;
- b. an advance announcement that the future of rent allowances was connected with the outcome of arbitration.

Slowing down the reviews

5. Our legal advice is that slowing down the reviews would not be a practicable option. Until the existing rent allowance arrangements are replaced, the provisions for holding the reviews continue to have effect. If a force's maximum limits are due for review on 1 April 1989, any increase arising from the review is payable from that date, regardless of when the review is actually begun or completed. Slowing down the reviews (or withholding the Secretary of State's approval of increases in maximum limits arising from such reviews) in order to prevent increases in maximum limits being approved before amending regulations had been made would therefore serve no useful purpose. The increases would still be payable from 1 April 1989.

An advance announcement

6. Nor would it be possible to prevent the reviews from taking place by announcing in advance that the recommendations of the arbitrators were still under consideration and that approval for increases in maximum limits would not be given by the Secretary of State until decisions on the arbitration award had been taken. In forces where reviews are due on 1 April, there is a legitimate expectation that they will take place unless action has been taken before that date to change the existing arrangements. The fact that proposals for change are under consideration by the Police Arbitration Tribunal does not affect that legitimate expectation.

7. Moreover, in judicial review of an announcement by the Home Secretary in 1984 of certain matters to which he would have regard in considering applications for his approval of increased maximum limits of rent allowance, the Court of Appeal held that it was not open to him to prejudge his consideration of such an application by laying down in advance criteria which were not in accordance with agreements reached and operated under the statutory negotiating procedures. He was bound to consider each application on its merits, in line with existing arrangements.

8. For these reasons an announcement which suggested, in advance of the arbitration award, that the Home Secretary would not be prepared to consider on their merits applications for his approval of increased maximum limits arising from the reviews which were due on 1 April would be unlikely to survive judicial review.

A subsequent announcement

9. The question then arises whether the Home Secretary could make an announcement of his intentions at some time between delivery of the arbitration award and 1 April. Our legal advice is that, if the award recommends retaining rent allowance in essentially its present form, it would be extremely difficult to suggest that there was any case for altering the basis of reviews which were under way. If the Home Secretary wished to impose new arrangements contrary to the recommendations of the arbitrators he would have to consult the PNB. Adequate time would have to be allowed for genuine consultation: there could be no question of seeking to curtail the time available for comments in order to meet the 1 April deadline.

10. If the award comes down in favour of the Official Side's proposals, there might be scope for arguing that the existing arrangements could be ignored in the light of the arbitrators' recommendation that they should be changed. The argument would be that the arbitration amounted to consultation with the PNB so that there was no longer any legitimate expectation that the existing arrangements would continue. The difficulty with this argument is that the Official Side have proposed a date of 1 April 1990 for implementation of the new arrangements in England and Wales. If the arbitrators endorse that, it would be difficult to argue that the award displaced the legitimate expectation of forces in England and Wales that the reviews of maximum limits which were due in 1989 would be carried out and implemented. The argument could be sustained only if the arbitrators endorsed the Home Departments'

view that there should be a common date of 1 April 1989 for the implementation of the new arrangements throughout the United Kingdom.

Damage limitation

11. Increases in maximum limits arising from the reviews which are due on 1 April 1989 would have two main effects:

- a. they would increase the rent allowances payable to officers in the forces concerned and so would increase the "personal protection" provided under the Official Side's proposals for officers who were in receipt of rent allowance immediately before the new arrangements came into effect;
- b. they would increase the rent bill for the forces concerned and so would increase the "rent pool" which would be used as the basis for calculating the level of the allowance under the new arrangements.

12. Increases in rent allowances arising from the reviews could not be reduced retrospectively: this is precluded by section 33(5) of the Police Act 1964. There does, however, exist the possibility of reducing from the date on which the amending regulations come into operation the rent allowances payable to officers in forces with a review date of 1 April 1989 or later, by providing that -

- a. "personal protection" should be determined on the basis of the officer's entitlement (to the rent element of rent allowance plus compensatory grant on that element) on 31 March 1989;
- b. the new allowance for each force should be determined by dividing the total expenditure on rent allowance (less the rates element) on 31 March 1989 by the number of officers in receipt of rent allowance on that date;
- c. for forces whose maximum limits were due for review on or after 1 April 1989, the allowance calculated on the basis of (b) above should be increased from the operative date of the amending regulations in line with the increase in the RPI during the previous 2 years. (Between 1 April and the operative date of the amending regulations, the increases arising from the reviews would be paid.)

13. Our legal advice is that such action would not be immune from possible challenge. The Official Sides intentions on "personal protection" were that officers in receipt of rent allowance immediately before the new arrangements came into operation should not have their allowance reduced (apart from the removal of the rates element). Since they had proposed 1 April 1990 as the implementation date in England and Wales, they clearly intended protection to be provided for increases arising from the 1989 reviews. If the Tribunal endorses 1 April 1990, then reduction to the levels applicable on 31 March 1989 would be a departure from a Tribunal decision and so vulnerable to judicial review on the ground that such a departure ran contrary to the legitimate

expectation that a Tribunal decision will only be set aside for reasons of grave national importance.

Conclusions

14. Unless the Police Arbitration Tribunal endorses the Official Side's proposals in full, except on the implementation date (where it would have to award a common starting date of 1 April 1989 throughout the UK), there is nothing that could be done to stop the reviews due on 1 April 1989 from going ahead or to withhold the Secretary of State's approval to increases in maximum limits arising from those reviews. Until the rent allowance arrangements are changed, there is a legitimate expectation that all aspects of the existing arrangements will continue to apply. No changes in the present arrangements can be made without adequate consultation with the PNB and this will take time: the process cannot be speeded up in order to meet some arbitrary deadline. It also seems doubtful whether officers covered by the Official Side's "personal protection" arrangements, whose rent allowances were increased as a result of the 1989 reviews, could subsequently have those allowances reduced (except to the extent that they were reduced by the removal of the rates element).

15. The problem needs, however, to be seen in perspective. Only 19 forces at most are affected (out of 52 in the United Kingdom). And the RUC, where the present arrangements are peculiarly erratic, is not affected. Although the Metropolitan police is affected, there is in fact a respectable case for arguing that that force should have a further review so that it can start out under the new system with an allowance that reflects up to date housing costs (the Metropolitan police allowance has fallen behind other forces such as Wiltshire) and the same argument applies to the City of London, Essex, Hampshire and Kent forces.

27 January 1989

Home Office
Queen Anne's Gate
LONDON SW1

REVIEWS OF MAXIMUM LIMITS OF RENT ALLOWANCE DUE IN 1989

| <u>1 April</u> | <u>1 May</u> | <u>1 October</u> | <u>1 December</u> |
|---------------------|---------------------|--------------------------|-------------------|
| Metropolitan Police | Cheshire | Derbyshire | Gwent |
| Avon and Somerset | | Hampshire | |
| City of London | <u>16 May</u> | Dumfries and Galloway | |
| Cumbria | | | |
| Essex | Lothian and Borders | | |
| Kent | Northern | | |
| Leicestershire | Strathclyde | | |
| South Wales | Tayside | | |
| Warwickshire | | | |
| West Mercia | | | |

CONFIDENTIAL

The PAT findings are fairly awful for us, although not entirely unexpected.

FROM: J DE BERKER (PAY1)

DATE: 7 April 1989

Ext: 5605

1. MS SEAMMEN (PAY1)

2. CHIEF SECRETARY

cc Chancellor
Sir P Middleton
Dame Anne Mueller
Mr Anson
Mr Phillips
Mr Monck
Mr C W Kelly
Mrs Lomax
Mrs Case
Mr Chivers
Mr Mortimer
Mr A M White
Mr Brook
Mr Call

cu/ To be aware. The police arbitration award is a feeble attempt not to upset anyone. Mr Hurd has duly written asking us to accept the PAT recommendation (see behind).

015.

POLICE ARBITRATION (PAT) AWARD

1. We now have the findings of the PAT on police rent allowance. On the whole these give us the form of what we want - police should pay their own community charge, compensatory grant should be abolished, and rent allowance is reformed - but not the substance. The PAT does not envisage that these changes will be brought about in a way which would produce any savings. We had hoped for savings of about £90m in 1989-90 and increasing in later years.

2. Intentionally or otherwise, the recommendations also contain "a poison pill". The tribunal recommends that there are further negotiations between the staff and official sides on substantive issues. This keeps the statutory machinery running. Home Office legal advisers say that we cannot impose our preferred solution until these negotiations have run their course without opening us to judicial review.

3. The two sides of the PNB are due to meet on Monday 17 April to consider the PAT's findings. There are unlikely to be any negotiations then but they will probably set up a working party with instructions to report back in July. We understand that Mr Hurd will be writing shortly to consult colleagues on the line his

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officials should take at the meeting on the 17th, and we have stressed the importance of him writing in sufficient time for a meeting of E(PSP) to be convened beforehand should you consider this necessary. But at this stage, subject to your views, we do not think it is.

4. However, there will be Home Office representatives on the working party and a meeting of E(PSP) will be needed before the working party meets and any negotiations start. Before then the Home Office need to produce a properly costed paper for E(PSP) on the PAT's rather vague proposals comparing them with the savings E(PSP) envisaged (you can ask for this when Mr Hurd writes).

5. At E(PSP) Ministers will want to consider whether:

(i) to accept the PAT's recommendations as they stand (subject to clarification on what they actually are); or

(ii) negotiate with a view to salvaging some of the savings previously envisaged; or

(iii) whether the negotiations should be allowed to run their course with a view to ultimately imposing the whole package.

There is a political judgement on what Mr Hurd can be induced to do, but subject to this we advise you to press for imposition for the whole country as soon as possible as this is the only way we will achieve the full savings envisaged by E(PSP).

PES

6. As HE mentioned, when they met you last Tuesday to discuss the prospects for the forthcoming survey, there is almost certainly going to be a very large bid for police specific grant, possibly rising from £150m in year one to £500m in year three (implying increases of £300 to £1000m in GGE). This is on a total expenditure on police which is currently about £4000m. The only substantial offsetting saving for this year's survey (see para 1) is likely to come through the changes the rent allowance that E(PSP) agreed should take place.

E(PSP)'s objectives

7. The objectives for rent allowance agreed by E(PSP) in June were:

(i) Reimbursement of rates should be ended without introducing reimbursement for community charge;

(ii) Compensatory grant (which refunds the tax on rent allowance) should be abolished;

(iii) The replacement housing allowance should be uprated by the RPI instead of private sector house rentals; and

(iv) The new arrangements should apply throughout the UK in 1989 (but we have always recognised that the likelihood of change in England and Wales before the poll tax comes in in 1990 was small).

8. It was accepted that there would need to be mark time protection for individual policemen except on the ending of the rates element of rent allowance and the corresponding element of compensatory grant.

9. It was also agreed that a further meeting of E(PSP) would be necessary to agree exactly what package changes should be imposed in the light of the Tribunal's recommendations. On that basis the Home Secretary accepted the principle of imposition.

The PAT award

10. This is attached. The document is poorly drafted and not particularly clear. The first half describes the positions of the official and staff sides and the actual substance does not begin until paragraph 32. The basic philosophy is that any major alteration in rent allowance cannot be made fairly without a linked review of police pay and the changes proposed are therefore intended to be broadly cost neutral.

11. On community charge the PAT is sympathetic to the staff side view that this ought to be funded by the employers but considers that since it is the Government's clear policy that local electors must pay their own community charge policemen and their wives cannot be exempt. However there are no savings because the money previously spent on refunding rates is recycled into the new housing allowance they propose.

12. Compensatory grant is to be phased out over 5 years. The savings are to be absorbed by making the new housing allowance pensionable.

13. Rent allowance is to be phased out over 3 years and replaced with a new housing allowance funded from what was previously spent on rent allowance and rates. It will be payable to all officers (including those in tied accommodation who pay rent for the first time) and be uprated by an index of housing costs - not the RPI. There will be mark time protection for existing officers who would otherwise get less than they currently get from rent allowance and reimbursement of rates.

14. On implementation the PAT recommend that the new regime should follow the community charge timetable with special provisions for introduction in Northern Ireland in 1990. The implication is that reimbursement for rates would continue there but it is far from clear.

15. Lastly on negotiations, the PAT blithely say that it will take some time to evolve the proposals in a detailed form and that joint discussions on the details need to start immediately. For Scotland, they envisage interim decisions and payments to be finalised after negotiations have been completed. Where opinions are sharply divided the issues should be sent back to the PAT.

Assessment

16. The most serious aspect of the PAT decision for us is their proposed recycling of the old rates allowance into the new housing allowance. If we have to go along with this, we shall lose the £65m we hoped to save in 1989-90 by making the police liable for their own poll tax, with no compensation.

17. Our position is undoubtedly hedged in by the legal advice that we must keep talking but you may wish to take a second opinion from the Government's legal officers on the Home Office's advice. If Ministers do decide to negotiate our legal advice also says that compensation for rates has lapsed automatically in Scotland with introduction of the poll tax, and will similarly lapse in England and Wales next April. Unless and until we agree something else Scottish police will not receive any compensation for poll tax. This could provide some incentive for the police to negotiate sensibly.

18. The PAT's decision is not entirely satisfactory for the police either. They will have to pay their own community charge and although they may not at the outset lose in aggregate there will be individual gainers and losers. Also, the loss of compensatory grant in return for additional pension rights will have much less appeal for younger officers than those nearing retirement so there may be some scope to trade this for something Ministers wanted eg incorporating compensatory grant into the new housing allowance in exchange for a cheaper uprating mechanism such as the RPI. On the other hand, while we negotiate rent allowance reviews are going ahead which will greatly increase their level, and about which we can do nothing. The 1989 rent reviews will cover about 80 per cent of the police in Scotland and 14 of the 43 forces in England and Wales with increases probably of the order of at least 20 per cent.

19. On past form the Home Office are likely to press us to accept the PAT's recommendations as they stand. They are too vague. It is essential that they are fully costed so that we know exactly what we are being asked to accept. E(PSP) will then be in a position to consider whether it is worth trying to negotiate changes to the PAT's recommendations or whether the negotiations should be conducted with an eye to ultimate imposition of the full package of savings previously envisaged. In this context you will want to note that in HE's view there is no need to soft pedal on police allowances because of national dock strike.

Conclusion

20. There seems little point in an immediate meeting of E(PSP); for the present at least we have no option but to open negotiations. When Mr Hurd writes we will provide you with a draft reply asking for a paper which E(PSP) can consider before any negotiations start in the working group. You may wish to discuss.

21. HE are content.

Jonathan de Berker

JONATHAN DE BERKER

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(behind)

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DECISION
of the
POLICE ARBITRATION TRIBUNAL

Rent Allowance

March 1989

ACAS 2C/244/1988

Present at the hearing held at the Head Office of the Advisory, Conciliation and Arbitration Service, 27 Wilton Street, London SW1X 7AZ on Friday 3 February 1989:

Police Arbitration Tribunal

Professor Sir John Wood CBE LL.M. - Chairman

Mr G L Dennis MA FIPM

Mr M J M Clarke

Mr S Gouldstone - Secretary

Representing the Official Side of Committee D

| | | |
|----------------|---|--------------------------------------|
| Cllr N Taggart | - | Chairman, Official Side |
| Cllr G Bundred | - | Chairman, Official Side, Committee D |
| Mr D E Thomas | - | Official Side Secretary |
| Miss M Barton | - | Assistant Official Side Secretary |
| Mr G Thomson | - | Assistant Official Side Secretary |
| Mr P Rimmer | - | Official Side Secretariat |
| Mr J Addison | - | Home Office |
| Mr R Yeates | - | Home Office |
| Mr S Liddle | - | Scottish Home and Health Department |
| Mr A Shannon | - | Northern Ireland Office |
| Mr G Cocking | | |
| Mr D Bennett | | |

Representing the Staff Side of Committee D

| | | |
|-----------------|---|---|
| Mr C J Anderton | - | Chairman |
| Miss V Neild | - | Secretary |
| Mr P A Cripps | - | Deputy Secretary |
| Mr K Smith | - | Secretary, Superintendents' Association |
| Mr A Wallace | - | Secretary, Scottish Police Federation |
| Mr J Elder | - | Secretary, Northern Ireland Police Federation |

Mr P Mitchell - Deputy Chief Constable, Strathclyde
Police
Mr D MacLean - Scottish Superintendents' Association
Mr A R Judge
Mr R Mackrill
Mr Habayeb

Observers

Mr M Cahill - Office of Manpower Economics
Mr J Diprose - Office of Manpower Economics

INTRODUCTION

1. By a Minute dated 21 December 1988 the Advisory, Conciliation and Arbitration Service gave notice that a meeting of the Police Arbitration Tribunal had been convened to consider a difference between the Two Sides of Standing Committee D of the Police Negotiating Board.

2. The terms of reference were:

To consider differences between the two Sides of Committee D of the PNB arising from:

- (1) a proposal from the Staff Side in connection with the abolition of the general rating system in England, Wales and Scotland and its replacement by a community charge;
- (2) a proposal by the Official Side for the introduction of a new local allowance to replace the police rent allowance;
- (3) a proposal by the Official Side in respect of rent allowance compensatory grant;

and (conditional on the determination of (2) above)

- (4) a proposal by the Official Side relating to the method of updating its proposed new local allowance;

and to make an award on each of these proposals.

3. Prior to the hearing the parties supplied the Tribunal with, and exchanged copies of, their written statements of case which they developed orally at the hearing.

BACKGROUND

4. The present system of Rent Allowance was introduced as a result of the recommendations of the Desborough Committee of Inquiry into the Police Service in 1919. The aim was to standardise practice in all police forces in Great Britain and since 1920 all police authorities have been under a statutory obligation to provide officers with either accommodation, free of rent and rates, or an allowance in lieu.

5. The method of determining the level of payments was modified by a Police Council agreement in 1947 which introduced national maximum figures for the reimbursement of rent and rates; for owner-occupiers a notional rental value was calculated on the basis of 125% of the property's Schedule A value, plus rates and water rates, subject to the overall maxima. This arrangement was further modified in 1957 and Police Council Conciliation Panels were introduced to consider claims from officers in forces in which the locally established rent allowance fell short of the national maxima. At the same time the method of assessing the value of an owner-occupied property was changed in that the local District Valuer was asked to determine a reasonable rent if a property were to be let unfurnished on the open market. In

view of the fact that the number of properties available for renting privately was growing ever smaller and that officers often had to occupy local authority housing, at subsidised rents, the 1957 agreement was amended in 1960 to permit police authorities to enhance the local maximum allowance by an amount equivalent to the Exchequer subsidy.

6. The question of Rent Allowance was next considered in depth in the context of the 1960 Royal Commission's examination of police pay. The Commission's report enshrined the principle that the provision of housing or an allowance should be taken into account in any consideration of pay rates in that its proposed salary for a constable was abated by an appropriate figure; the latter was less than the maximum national allowance. From this period onwards there was a growth in owner-occupation which, when coupled with a reduction in the number of police forces, led to the adoption of more flexible policies in local forces, such as easing the conditions under which officers were allowed to purchase their own homes.

7. The 1957 agreement, which used as its yardstick for establishing the maximum limits the expenditure incurred by officers renting unfurnished accommodation, was effectively abandoned by further agreements in 1969 and 1970. From that time onwards the District Valuer assessed the rent appropriate to a 'typical' provided house, selected by agreement between the police authority and the branch board. The maximum local allowance was governed by the process. The District Valuer, however, still had to assess each individual owner-occupied house to allow a specific officer's rent allowance to be calculated. To ease this ever-increasing workload, and its attendant delays, the 'Metropolitan System' was widely adopted from 1973 onwards. This was first used in the Metropolitan Force and entailed the District Valuer, as before, assessing a notional rent on a 'selected' house. This figure was then expressed

as a multiple of the property's rateable value. An officer's personal allowance was therefore a property's rateable value, enhanced by the 'multiplier', plus rates and water rates. This system was subsequently adopted by all forces with the exception of Gwent.

8. The Edmund-Davies Committee, which reported in 1978, endorsed the principles that the Rent Allowance should continue to be paid on the basis on which it was calculated. It found that there was a fair balance between the needs of owner-occupiers and those in provided accommodation, and noted that it was responsive to regional variations. The Committee accepted that it formed a major part of remuneration and took it into account in its recommended salary scales. The system therefore remained unchanged as indeed it did after an arbitration hearing in 1984. The Official Side had proposed changes but the Tribunal did not feel that circumstances had altered sufficiently since Edmund-Davies to warrant any modification to the method of calculation.

9. The essence of the operative regulations is as follows: Officers who do not occupy provided accommodation are paid a rent allowance which is either a Maximum Limit Allowance (MLA) or a Flat Rate Allowance (FRA), the levels of which are governed by the Force Maximum Limit (FML). The FML is calculated by reference to the typical/selected home; the District Valuer assesses the rental value on the open market if it were let unfurnished and the rates are added to this figure. This becomes the FML for the Federated ranks and the figure is enhanced by 16% in each of three further stages to establish the FML for the more senior grades. The 'force multiplier' is also calculated from this process, it being the rental value of the selected house divided by its rateable value. An officer's MLA will be the rateable value of their property multiplied by the force multiplier, plus domestic and water rates, subject to the overall

maximum set by the FML. The FRA is equal to half the FML and is paid to single officers under 30, those with less than five years' service and officers married to other officers. Those who receive a Rent Allowance are also paid a Compensatory Grant which is equal to the income tax their personal allowance attracts.

10. Each force establishes its own FML and it currently varies between £2080.60 in Northumbria to £4184.71 in the Thames Valley. At the time of the last survey of earnings, November 1986, of those officers in receipt of a rent allowance 19.5% received the FML, 14% received the FRA and 66.5% received a figure somewhere between the two. Rent allowances represent some 10% of the overall paybill and are paid to approximately 85% of police officers.

11. The reference to arbitration arose from proposals by the Official Side that there should be major changes in system of Rent Allowance. These were that:

- a) the rates element would be deleted from the allowance;
- b) a new local allowance would be calculated by, for each force, dividing the total bill by the number of officers in receipt of an allowance;
- c) the new allowance would be updated periodically by reference to the RPI;
- d) Compensatory Grant would not be payable to new entrants. For existing officers it would effectively be phased out in the long term;

- e) existing recipients of both Rent Allowance and Compensatory Grant would be paid a sum to safeguard their present position and this would be absorbed by future increases in the new allowance.

The Staff Side submitted a counter-proposal that the Regulations should be altered so that police authorities had to reimburse officers for community charge in exactly the same way as they did in respect of local rates. Its position on Rent Allowance was that the existing system should continue in its present form. The issues were discussed at meetings of Committee D of the PNB on 16 March 1988 and 29 September 1988 and as a failure to agree resulted the two Sides agreed to refer the matter to the PAT.

SUMMARY OF THE SUBMISSION MADE BY THE OFFICIAL SIDE

12. The Official Side explained that the existing framework of the Rent Allowance dated from the Desborough Committee's recommendations in 1919 and that a new approach was needed which reflected changes in the social climate. The rationale was out of date and the criteria upon which the scheme was based were no longer appropriate. It respected the fact that police officers could view its proposals as a reduction in a benefit but emphasised that its objective was not to cease paying the Rent Allowance. The Official Side did however believe that it was entitled to see that public funds were being properly applied.

13. The Official Side asserted that many aspects of society had changed considerably in the 70 years since Desborough. At the time of the introduction of Rent Allowance police officers lived very close to their place of work; accommodation was therefore provided and an allowance was logically paid to those who had to live in rented property. Nowadays, although officers still had to live within a reasonable distance of their place of work, transport and communication had developed to such a degree that

officers had a far greater freedom of choice. The Official Side's view was that police officers effectively faced no more constraints than the majority of those in employment in respect of the location in which they chose to live. The numbers housed in provided accommodation had fallen from 29% of officers in 1977 to 15% in 1986. The original principle underlying the scheme, that police authorities should house their officers, was demonstrably outmoded.

14. It was the Official Side's view that the majority of the 85% of officers who received a rent allowance were owner-occupiers. This reflected the trend in society generally and had led to police authorities running down their housing stocks because they were no longer needed. The Official Side was doubtful that the Rent Allowance in these circumstances was equitable as its own calculations showed that, over a 25 year period, the owner-occupier was in an advantageous position compared with an officer in rented accommodation. At the very least, the owner-occupier possessed a property at the time of his or her retirement whereas an officer in provided accommodation had to enter the housing market for the first time in their lives. The Official Side did not believe that its proposals would hamper police officers' ability, in future years, to embark on owner-occupation.

15. The growth in owner-occupation also produced what the Official Side saw as a further anomaly. The basic calculation of an FML was geared to an assessment of the notional rent on a typical/selected house and the Official Side felt that it was anachronistic to perpetuate a system geared to rents; in view of the dwindling market in private rented accommodation it effectively meant that the entitlement to rent allowance of the majority, owner-occupiers, was being driven by a small minority, those in rented accommodation. This was being further complicated by the fact that in many areas the rented sector was

becoming confined to the more expensive end of the market. This gave rise to artificially high valuations and made it very difficult to establish the identity of a 'typical' house. In short, the Official Side could not accept that a system founded on the concept of 'rent' was any longer relevant to the circumstances faced by police officers and their employing authorities.

16. The introduction of community charge was another factor which the Official Side saw as necessitating revision of Rent Allowance. The logic behind reimbursing domestic rates was that it was a property tax but there was a different philosophy underlying community charges in that they were local taxes levied on individuals. In view of this the Official Side did not believe that police authorities should meet this liability and had proposed that the 'rates' element should be deleted from Rent Allowance with effect from 1 April 1989 in Scotland and 1 April 1990 in England and Wales. The burden of community charge would therefore fall on individual officers whether or not they occupied provided accommodation. In support of its argument the Official Side pointed out that the Government had not included police officers in the categories of those exempted from paying the community charge.

17. The combination of all these factors had persuaded the Official Side that it was right to propose changes to the Rent Allowance. It had a responsibility to ensure that the remuneration package for police officers met the needs of recruitment and retention but also that public expenditure in this area could be justified. It had conducted its own review of pay and conditions and stressed that it did not intend to alter the Edmund-Davies formula by which pay increases were linked to the rise in annual earnings; an arrangement which it felt had proved very beneficial to police officers. However it was of the

view that circumstances had changed to such an extent that Rent Allowance had to be revised even if other elements in the package stayed as they were.

18. The Official Side's proposal was that the 'rates' element would be withdrawn from the Rent Allowance calculations and that the total for each force of the resultant figures would be divided equally between the officers in that force. For existing recipients who suffered a reduction, a safeguarded sum would be payable which would be absorbed by future increases. The revised system would retain geographical differences, still provide an addition to basic pay, take account of the abolition of the domestic rating system and be easier to administer. The Official Side emphasised that the only real 'loss' to an individual officer would be the amount of his or her personal community charge payment.

19. In addition, the Official Side suggested that the new allowance should continue to be updated biennially, the existing arrangement, and that the criteria for any adjustment should be the movement in RPI. This would provide a simple and readily comprehensible yardstick which offered a broadly-based measure of the rate of inflation; it was appropriate also as it included an element to reflect mortgage costs.

20. As far as the Compensatory Grant was concerned the Official Side submitted that this too should be updated. Although the rationale formed part of package to equalise the position of those within and without provided accommodation the Official Side were of the opinion that owner-occupiers enjoyed a 'double' benefit of tax free rent allowances and tax relief on mortgage interest payments. It had already put forward the view that owner-occupiers were in receipt of a disproportionately advantageous benefit. The Official Side accordingly proposed

that the Compensatory Grant should be phased out but that existing recipients should be protected by a sum which would be absorbed by increases in the new 'rent' allowance.

21. The Official Side submitted that the Royal Ulster Constabulary (RUC) should also be included in its proposals. Although community charge was not being introduced in Northern Ireland the position in respect of Rent Allowance was the same as on the mainland and the revised system could be calculated and applied in an identical fashion.

22. It was a matter of considerable regret to the Official Side that it had been unable to reach an agreement with the Staff Side through negotiation and that the latter's position had been solely to argue that the status quo should be preserved. The Official Side concluded by stating that it felt the time was right for changes in Rent Allowance and that its suggested framework was both realistic and equitable. It reaffirmed its support for the Edmund-Davies formula for calculating pay increases and did not feel that the recruitment/retention position would deteriorate with a revised rent allowance. The Official Side therefore asked the Tribunal to endorse its proposals.

SUMMARY OF THE SUBMISSION MADE BY THE STAFF SIDE

23. The Staff Side submitted that it had come to the conclusion that the real purpose of the Official Side's proposals was to reduce expenditure and to bring about a permanent reduction in the benefits enjoyed by police officers. The Staff Side had therefore been placed in the position of being expected to negotiate on a worsening of the terms and conditions of the members it represented. It was fighting to maintain the existing arrangements and was disappointed at the Official Side's attitude given the recent endorsement of the importance of the police

service by the Home Secretary. The Staff Side explained that the vital role played by the police should not be underestimated as they were the only civil authority available to the Government to preserve public order and safety. It was the Staff Side's view that there was in fact no need for changes to be made in the system of Rent Allowance and that the Official Side's proposals were likely to have a damaging effect on morale.

24. The Staff Side accepted that the existing Regulations would need to be amended to reflect the introduction of community charges. It could not however agree with the Official Side's contention that domestic rates and the community charge were so qualitatively different that a wholesale revision in the system of reimbursement was merited. The essential purpose of both levies was to finance local authority services and the real distinction between the two was that the basis of calculation was moving away from a 'property' concept. All the Staff Side was seeking was a commitment that police authorities would continue to pay an officer's 'local taxes' in accordance with the agreement which had existed since 1920. It was in no sense requesting 'special treatment' for police officers.

25. The practicalities of making police officers pay the community charge were also causing the Staff Side some concern. In view of the fact that individual local authorities would be determining the level of their own community charge there were likely to be significant variations and the Staff Side could see this causing discontent between officers in different forces. It could also become an influential factor in decisions as to where officers chose to live and those who occupied provided accommodation would have no option but to pay the community charge applied in that geographical area. In addition those officers who were directed where to live would find the decision

having direct financial consequences. In short the Staff Side did not feel that the Official Side had properly assessed that full implications of its proposals.

26. The Staff Side found that the proposals in relation to the RUC were contradictory and defied logic. The intention was that the reimbursement of domestic rates in Northern Ireland would cease in April 1990 in spite of the fact community charge was not being introduced in that part of the UK. The Official Side had attempted to justify this proposal on the grounds that it would produce equity between officers of the RUC and those on the mainland as both groups would then pay local taxes. At the same time it had tried to sustain an argument that the difference between rates and community charge was so fundamental that it was logical to shift the burden from the authorities to individual officers. In the Staff Side's view this position was quite untenable and the only way to continue to achieve fairness was for all authorities to reimburse either rates or community charge in respect of all officers. This would honour long-established principles of standardisation and consistency throughout all police forces which successive inquiries had endorsed since 1920.

27. The Staff Side further explained that it rejected entirely the Official Side's proposals for revising the Rent Allowance. The net effect of the implementation of the revised system was that an important benefit would be eroded without the protection that the 'buy-out' of such an allowance would normally provide for employees whose terms and conditions were determined by collective bargaining. The Staff Side contended that the references to 'safeguards' for existing recipients of Rent Allowance were misleading in that officers would effectively mark time until the new allowance overtook the current payment; officers would therefore lose the benefit of the biennial uprating which had protected the value of the allowance. Its position was that the present allowance was an integral part of

the remuneration package and should not be viewed in isolation; any revision should form part of a complete examination of the whole pay and conditions 'package' and until that happened the Edmund-Davies principles should remain intact.

28. The Staff Side submitted that the existing arrangements had resulted from freely-negotiated agreements and were of considerable benefit to the police authorities as employers. It meant that authorities did not have the recruitment problems faced by other employers as the level of the allowance was automatically adjusted to the housing situation in a particular area. It also helped with stability because officers, as employees, were unlikely to want to transfer purely on account of the cost of housing. The Staff Side was very concerned that these advantages would be lost and, in addition, it did not feel that it was legitimate for the Official Side to argue that police officers were now under no more constraints than other employees where housing was concerned. The Staff Side was not aware of many other occupations in which restrictions were placed, such as the imposition of a qualifying length of service before employees were permitted to become owner occupiers or a limitation on the area in which employees were allowed to live. In addition authorities were no longer in a position to provide accommodation for all officers. The conclusion therefore reached by the Staff Side was that not only was the Rent Allowance a positive benefit to the authorities as employers but the requirements of a police officer's job, and the restrictions attached to it, meant that the authorities had a positive obligation to continue the housing assistance in its present form.

29. In addition to the fact that the Staff Side did not believe the philosophy underlying the Official Side's proposal was valid it also thought that the way in which the 'new' allowance would be calculated was inequitable and illogical. The essential element which was missing from the 'new' allowance was any

mechanism by which it could respond to local variations. Once the total bill, minus rates, had been divided by the number of recipients in a force the level was fixed and would be updated by reference to the RPI. The present system was well-established, the District Valuer was able to assess a reasonable rent on the 'typical' house and the FML was adjusted periodically to reflect the state of the market. If this were abolished the Official Side would very probably face pressure for 'local' pay rates to compensate for increased costs. Allied to this, the suggestion that RPI should be used to update the allowance would lead to further problems as it was not wholly representative of housing costs. The sum total of the proposals would be to depress the average officer's benefits, to make the owner-occupiers relatively worse off when compared with those in provided accommodation and to create a myriad of staffing problems with a significantly greater impact than the Official Side appeared to comprehend.

30. The proposals on Compensatory Grant were similarly dismissed by the Staff Side. The principle that Rent Allowance should, in practice, be 'tax free' had been part of the arrangement for very many years and Staff Side saw no grounds at all for further diminishing its value.

31. In conclusion, the Staff Side submitted that the Official Side's case could not be substantiated. At a conceptual level the Rent Allowance, including the payment of rates, had a logical and well-established basis which had been endorsed on many occasions since 1920. On a practical level the detailed changes would adversely affect the benefits enjoyed by police officers and lead to operational difficulties for police authorities. The Staff Side felt that it was becoming involved in a crude quest for savings in expenditure and felt strongly that the importance of the police service was such that it did not deserve to be treated in such a cavalier fashion. The matter would be viewed

differently if the revision of Rent Allowance formed part of an overall review of police pay and conditions but this was unfortunately not the case. The Staff Side therefore asked the Tribunal to reject the Official Side's proposals in their entirety and to support its own suggested amendment that police authorities should meet an officer's community charge.

GENERAL CONSIDERATIONS

32. This arbitration has several unusual features. The proposed abolition of domestic rates and their replacement by the community charge necessarily entails changes in the structure of police pay and allowances. The Official Side has chosen this as an opportunity to propose again significant changes in the Rent Allowance component of police pay, a matter previously raised and considered by this Tribunal in 1984.

33. It was decided by the Tribunal at that time that the question of the Rent Allowance should be discussed against the background of police pay as a whole; it was felt to belong properly to a wide-ranging review of pay and allowances. The parties themselves have such firm and divergent views that it is most improbable that progress could be made in negotiations and there does not appear to be the likelihood of a basic independent review being instituted, as the Staff Side would like. We feel that in those circumstances we should look at the specific issues put to us, but with the broader aspects firmly in mind. The need to consider the impact of the change to the community charge has to be looked at first.

Community Charge

34. The view of the police is simple, clear and logical. It is a constituent part of police pay and allowances that an officer in private accommodation receives a payment to cover his rates.

He, in effect, gets no additional pecuniary benefit; he is merely relieved of the burden of his rates. This is the current method of raising local taxes. Since the community charge is a revised form of local taxation, replacing rates, the Staff Side argue that it is obvious that this burden should also be discharged by the employer, thus continuing the status quo. There is a technical difficulty in that rates are payable by the householder whereas the community charge is to be levied upon all adults. The Staff Side argue that the appropriate subvention for the married police officer should be twice the community charge - this is not the place to enter into details such a police couples!

35. Against this approach the Official Side pointed out to us the underlying philosophy of the change to a community charge. The Government believes that all electors should have a direct relationship with local spending by means of a personal contribution to local revenue. So a tax, previously restricted to occupiers of premises, has been widened to cover all adults. There is no reason to suppose that a police officer should be relieved of the new personal burden, common to everyone else.

36. We are of the view that the Government's underlying principle must determine this question. We are confirmed in this approach by reference to those categories of adults granted exemption. None of these give any support to the view that the police officer and his wife, who are local electors, should escape the burden of the community charge. We appreciate that this places a new burden on the police officer but believe that such is the clear result of Government policy on local taxation. We shall return to this in our consideration of implementation.

Rent Allowance

37. The Official Side's proposals to restructure the Rent Allowance, paid to police officers not in provided accommodation, are not new and do not flow necessarily from the advent of the community charge. They appear to arise from a settled view that the current position is unsatisfactory; but it was not easy to be certain, from what we were told, of the basis of this conclusion. It would appear that the problem arises from the changing circumstances underlying the concept of an allowance designated as a rent allowance, that is to say assistance for those not provided with accommodation.

38. It is said that some 15% of police officers now occupy accommodation that is provided for them. This is undoubtedly a reversal, which has been steadily progressive through recent decades, of the historic position of an officer being provided with accommodation as a matter of course. It is very difficult indeed to evaluate the financial implication of such changes, for at one time the provision of accommodation may have been generally thought of as an advantage. In recent times, with house prices steadily, and from time to time wildly, increasing, this is probably no longer true. The officer in the private housing market has the benefit of rising prices.

39. It is clear, however, that the Rent Allowance has become an integral part of the overall pay of a police officer of every rank. Previous enquiries have made this point very plainly. The Edmund Davies Committee was particularly clear that it fixed police pay, and the formula for its annual revision, bearing this in mind. Any major alteration in the payment of Rent Allowance could not be fairly made without a linked review of police pay itself.

40. We were given no compelling evidence that the level of Rent Allowance is out of control. The level is fixed by established criteria and, whilst it is not suggested that these should not from time to time be reviewed, those currently in use appear to continue the logic previously accepted. Nevertheless there seemed to be an underlying desire to control expenditure in this area.

41. We first attempted to reach clarity on principles that should guide our approach. We believe:

- a) That an allowance, based on housing costs, should form a continuing part of police pay;
- b) That any substantial change could only be proposed in the context of the overall level of pay and allowances, a matter which is outside our terms of reference; and
- c) That the justification for treating the housing allowance as a payment separate from basic pay is that there are special factors determining a police officer's place of abode which must be enforced by police authorities and there remains a necessity for very many officers to live in designated areas and to move their homes from time to time according to their posting.

It seems sensible to set out some additional underlying principles which arise from modern conditions:

- d) Since housing is now provided in only a low proportion of cases, the housing allowance should become an entitlement paid to all officers. Those in provided property should receive the allowance but be required

to pay an appropriate rent, independently fixed, for their accommodation. The complexities of the present position would thus be lessened;

- e) The housing allowance should be based upon a figure derived in the first instance from the current level of allowance, simplified and then subsequently up-dated in conformity with a suitable, agreed index; and
- f) The aim should also be to eliminate the twin concept of allowance and the compensatory payment that serves to take into account tax liability. The housing allowance would become an element of pay, subject to tax.

42. It next seems necessary to indicate how we envisage steps being taken to move to a system incorporating these principles. Two principal processes will be involved:

- a) The current level of allowances should be consolidated. We think there might be some simplification by banding forces but the process could begin at force level. The process of determining the level would involve taking the current bill, which has been expressed as for rent and rates, and dividing it by the number of officers concerned. We think the current system of one level for the Federated ranks and three enhanced levels for ranks above Chief Inspector should continue as it is. In order to determine the basic level those on the present flat rate and those on enhanced levels would be weighted accordingly in the calculation. In this way the housing allowance would be determined, using the money levels already used. In accordance with usual practice, any police officer at present enjoying a higher allowance would be protected from a sudden reduction by 'red circling', that is to say their

entitlement would remain static until the indexed level caught up. So that his process does not involve an immediate large increase in expense, those below the new level could be moved to it over three years. Thereafter uprating, we suggest, would be in conformity with an agreed index, to be agreed by the parties. This could, for example, be based on the average price of houses published by the Halifax Building Society or upon the national index based on housing costs.

- b) The Compensatory Grant, which ensures that the Rent Allowance is not taxed, would continue but steps should be taken towards its gradual elimination. The process to achieve this would involve its progressive reduction, balanced so that police officers would be provided with pensionable rights which would be given to a similarly progressive proportion of the newly-payable housing allowance. It is envisaged that this process would stretch over a period of not more than four or five years, with the balance of the Compensatory Grant remaining at each stage in its reduction being calculated by reference to movements in the agreed index and any changes in tax rates; and
- c) The aim of these reforms is to determine a basic housing allowance which would eventually be fully taxed with the Compensatory Grant being eliminated and replaced by an equal value of the housing allowance being pensionable. The current rules as to lesser allowances, the flat rate and the bands of enhancement would continue.

Implementation

43. A difficulty as to implementation arises from the fact that the community charge is not being applied at the same time in the various parts of the United Kingdom. The date for Scotland is April 1989, that for England and Wales April 1990 and there has been no decision yet to apply it to Northern Ireland.

44. Logic dictates that change to the new pattern should take place concurrently with the introduction of the community charge in each of the areas of the United Kingdom. Thus an immediate change should be made in Scotland, April 1989; England and Wales would follow in April 1990. It would be somewhat complicated to make the change in Northern Ireland until there is a change from rates to a community charge but we believe that it should be possible for the parties to move to a housing allowance, as in the other parts of the United Kingdom, with special provisions recognising that rates will still remain and have to be paid.

45. The proposals we have made for the change from the concept of a rent allowance to an allowance covering housing costs will take some time to evolve in a detailed form. We anticipate joint discussions on the details would need to commence immediately. We would make three comments as to these discussions, which will not be easy:

- a) Within the principles, which we have set out and which we believe to be reasonably clear, there will be several issues on both sides that will need a sympathetic approach. For example, we have proposed red-circling those whose housing allowance is less than the current allowances. We have suggested that the cost of this might be mitigated by moving those below up to the full allowance over a couple of years or so. Equally when the calculations take place to determine

the level of the housing allowance, consideration must be given to those forces due a revaluation in the near future. Other similar points may emerge;

- b) Although there will be complications, and the occasional apparent anomaly, with officers already in post, those appointed in the future will be in receipt of a housing allowance based on a standard force, or banded, figure (enhanced etc. where appropriate). This will be taxable but there will be a standard part of it pensionable; and
- c) The parties should enter the discussions with a commitment to evolve the new structure as soon as possible after the date set in our Award. This will involve some delay in Scotland and will require interim decisions and payments to be later finalised when the work has been completed. Where opinions are sharply divided the parties should consider remitting such issues to us to avoid delay and to ensure that a conclusion is reached.

Concluding Remarks

46. The most straightforward parts of our Award are the decisions we made in respect of the responsibility for payment of the community charge. We believe that it was the will of Parliament that each adult should bear the burden of local taxation and we do not believe that we should excuse the police from this obligation.

47. The proposals of the Official Side in respect of the Rent Allowance were certainly seen by the Staff Side as a reduction in police pay and remuneration. We have accepted that there is need to modernise the approach to the Rent Allowance. Our aim has

been to propose that the allowance is seen as being related to housing costs generally and compensate the police officer for those aspects of the terms of his service which are restrictive in respect of his choice of place to live. It is to the advantage of both parties that this component of police pay should no longer be regarded as part of an out-dated obligation to provide accommodation.

48. We are certain that the component of pay, now designated, somewhat archaically, as Rent Allowance, is an intrinsic part of the police officers' pay and levels have been set for many years with this in mind.

49. Except for our treatment of the community charge we must emphasise that nothing we have proposed is intended to leave the police officer, viewed generally as either better or worse off than before. The allowance, whether it be described as for rent or for housing, has become an integral part of police pay. Our concern has been to put it on a footing which is more in conformity with modern practice, that is to say a taxable component of pay, and less likely to attract criticism as an out-dated concept.

50. We should finally say that we cannot see, as was suggested by the Official Side, that the allowance we are discussing has any relevance at all to the policy of indexation of police pay. That aspect is firmly based on the special nature of the employment relationship and upon the unique nature and responsibilities of a police force. It is far too fundamental to be regarded as relevant to the matters under consideration by us.

AWARD

51. Our Award is as follows:

a) No provision should be made by the police authorities to undertake payment of the community charge levied on police officers or their wives;

b) The present system of rent and rates allowances and compensatory grants should be remodelled as explained in our General Considerations set out above; and

c) The process should take effect from April 1989 in Scotland and from April 1990 in England and Wales and also in Northern Ireland, as far as is practicable, bearing in mind that the community charge is not likely to be introduced there on that date.

John C Wood - Chairman
G L Dennis
M J M Clarke

March 1989



FROM: D I SPARKES
DATE: 10 APRIL 1989

PS/CHIEF SECRETARY

cc Chancellor
Sir P Middleton
Dame A Mueller
Mr Anson
Mr Phillips
Mr Monck
Mr C W Kelly
Mrs Lomax
Mrs Case
Miss Seammen
Mr Chivers
Mr Mortimer
Mr A M White
Mr De Berker
Mr Brook
Mr Call

BF 13/4

[Repl, to Home Sec due]

POLICE ARBITRATION (PAT) AWARD

The Chancellor has seen a copy of Mr De Berker's minute of 7 April to the Chief Secretary covering the PAT's findings on Police Rent Allowance.

2. The Chancellor commented that the key point is that we reached an informal understanding with the Home Secretary that we would drop for the present the Police Pay/Edmund-Davies formula issue in return for real progress on the allowances. Mr Hurd cannot now honourably resile from this.

D.I.

DUNCAN SPARKES

CONFIDENTIAL

FROM: MISS C EVANS
 DATE: 12 April 1989
 x 4339

MR DE BERKER

cc: Chancellor
 Sir Peter Middleton
 Dame Anne Mueller
 Mr Anson
 Mr Phillips
 Mr Monck
 Mr C W Kelly
 Mrs Lomax
 Mrs Case
 Ms Seammen
 Mr Chivers
 Mr Mortimer
 Mr A M White
 Mr Brook

 Mr Call

POLICE ARBITRATION TRIBUNAL

The Home Secretary spoke to the Chief Secretary about this in the House today, before the Chief Secretary had considered the papers. The Home Secretary had already seen the Prime Minister, for his regular bilateral meeting, who believes that it will be extremely difficult not to accept the recommendation of the Tribunal. The Home Secretary concurred with this view. The Chief Secretary reminded him that E(PSP) had agreed not to attack the Edmund Davies formula only provided we reduced other allowances. The Home Secretary accordingly proposed that we look for some other way of chipping away at this although he had no idea of how this might be done.

2. Mr Turnbull subsequently phoned me to say that the Prime Minister had two concerns. First, we might be subject to judicial review if we do not accept the decision. Secondly, we might need to rely on the police in a docks strike. He also said that the Prime Minister and the Home Secretary discussed the long term arrangements for settling police pay and thought that we should be aiming to make a change to the negotiating process similar to the one we have made for teachers' pay i.e. to give the Government

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weight in the negotiations which reflects our 75 per cent share of the costs. The arrangements should also make it possible to link pay agreements more specifically to enforceable improvements in efficiency.

3. The meeting also recognised that since the Tribunal recommendations mean a substantial pay increase, it is important to take as rigorous a line as possible on the other areas which remain for negotiation.

4. The Chief Secretary would welcome a meeting on this.

CE

MISS C EVANS
Private Secretary

CONFIDENTIAL

*1 agree.
As the doc
Shirley
I can have
assured.*



FROM: CHIEF SECRETARY
DATE: 12 April 1989

CHANCELLOR

*Ch/ To be read in conjunction
with Carys' minute behind.
D/S*

POLICE ARBITRATION TRIBUNAL

The Prime Minister's response is extremely unhelpful. I hope my reply to Douglas will bring out the full horrors of the Tribunal's recommendations in a way which elicits maximum support from colleagues. The key points are:

- the inconsistency of the Tribunal's conclusion that rates allowance should be abolished but its effect made more generous by being consolidated into basic pay which is subject to the Edmund Davies formula;
- the cost of meeting in full compared with the savings envisaged by E(PSP), implication for pensions etc;
- the futility of 'chipping away' by a tough interpretation of the Edmund Davies formula - the very reason why we decided to curb allowances.

2. I also think we need to test the Home Office lawyers' assertions about judicial review. It seems to me an absurdity that we should be legally bound to implement whatever this Tribunal comes up with, unless there is a national interest objection. It may be worth consulting the Law Officers - I have sought advice from Juliet Wheldon.

3. This recommendation negates last year's decision. We need to consider whether there is some way we can safeguard our position and this may mean taking this issue back to E(PSP).

*I had the letter
from AAP.*

CE

JOHN MAJOR
(Approved by the Chief Secretary
and signed in his absence)



FROM: D I SPARKES
DATE: 13 April 1989

PS/CHIEF SECRETARY

[Handwritten initials]

POLICE ARBITRATION TRIBUNAL

The Chancellor was grateful for the Chief Secretary's note of 12 April, which he read in conjunction with yours of the same date to Mr de Berker, concerning the Prime Minister's response to the PAT's findings on police rent allowance. He wholeheartedly agrees with the points the Chief Secretary made and commented that the idea that we must accept the Tribunal's findings because we may need to rely on the police in a dock strike is absurd.

2. The Chancellor would be interested to see Juliet Wheldon's advice as soon as it is available.

[Handwritten signature]
DUNCAN SPARKES

CONFIDENTIAL

FROM: MS D J SEAMMEN (PAY!)

DATE: 13 April 1989

Ext: 4559

CHIEF SECRETARY

~~BF~~
17/4
[Has EST
written]
Ch / To see.
@15
✓

cc Chancellor
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Phillips
Mr Kelly
Mrs Lomax
Mrs Case
Mr Strachan
Mr Mortimer
Mr White
Mr de Berker
Mr Call

Ms J Wheldon (T. Sol)

POLICE RENT ALLOWANCE

I attach a draft letter for you to send to Mr Hurd. The legal paragraphs have been contributed by Ms Wheldon. The generally restrained tone of the letter also reflects her advice. There is a real and important point of principle here. The Law Officers' reaction cannot be predicted, but it is clearly something they need to advise upon.

MS D J SEAMMEN

CONFIDENTIAL

DRAFT LETTER TO: DOUGLAS HURD

POLICE RENT ALLOWANCE

Thank you for your letter of 6 April about the disappointing findings of the Police Arbitration Tribunal.

It is essential that we are not rushed into a decision on this. To preserve our freedom of action, it is imperative that your position is entirely reserved at the meeting of the Committee of the Police Negotiating Board on Monday. Substantial sums of public money, as well as matters of principle, are involved. We need to consider options carefully.

You will recall that at E(PSP) last summer we concluded that we should not then reopen the Edmund-Davies formula for determining police pay, notwithstanding that it gives the police a uniquely privileged position amongst public servants by tying their settlements to earnings. (Even the Review Body for the Armed Forces is open to arguments of recruitment and retention.) But we reached this position only on condition that we were able to reform the over generous and anomalous system of police rent allowances.

Substantial sums of money are at stake here. If we eventually proved unable to secure the savings we agreed on last summer, we would need to look at other ways of

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saving the money. The Edmund-Davies formula itself would need to be reconsidered. So, of course, would police manpower. As we impress on the private sector, there is a connection between excessive pay and job losses.

We cannot, in all this, ignore the repercussions elsewhere. Other important groups will be watching carefully. Teachers already compare their position unfavourably with policemen; their pay settlement next year will not be easy. Local authorities will not welcome this further call on their resources just when the community charge is being introduced. Generally speaking the idea that the police should effectively have their community charge reimbursed is not likely to be helpful in the wider context.

The first essential is to establish our options. I note the legal advice you have received that the police have a legitimate expectation, enforceable by way of judicial review, that an arbitration award will not be set aside except for reasons of the utmost, or perhaps grave, national importance. I of course accept that any decision by the Secretary of State to reject the recommendations of the Police Negotiating Board would have to be justified on grounds of reasonableness. I also understand that any legitimate expectation as to the procedures to be followed in this type of case, for example as to consultation, must be satisfied and moreover that there can be special circumstances in which representations have been made, either expressly

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or impliedly, which effectively estop the Government from subsequently taking a different course. But I am seriously concerned by the suggestion that acceptance of the Edmund-Davies Committee's Report means that any award of the Police Arbitration Tribunal must be accepted, however unsatisfactory, unless reasons of the utmost or grave national importance can be found for rejection. If this is correct, the discretion of the Secretaries of State under the Police Negotiating Board Act 1980 is severely circumscribed and, quite apart from the immediate problem of the rent allowance, I think we would have to consider whether this was a situation which should continue in the longer term. In view of the importance of this issue, and indeed its implications for public statements by other departments, I think it would be very helpful to have the views of the Law Officers. We will then be in a better position to judge the room for manoeuvre now available.

At the same time, we need a reliable estimate of the cost of the PAT proposals. Plainly, recycling of allowances into basic pensionable pay will be costly. We need to know the full implications, in order to compare them with the savings we agreed in E(PSP) and I would be grateful if you could provide costings urgently.

I am copying this letter to the Prime Minister, members of E(PSP), and to the Attorney General, Malcolm Rifkind, Tom King and Sir Robin Butler.

CONFIDENTIAL

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PWP
Son BF?

cc:
Chancellor
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Phillips
Mr Kelly
Mrs Lomax
Mrs Case
Ms Seammen
Mr Strachan
Mr Mortimer
Mr White
Me de Berker
Mr Call

Treasury Chambers, Parliament Street, SW

Ms J Wheldon (T.Sols)

The Rt Hon Douglas Hurd CBE MP
Home Secretary
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

16/4 April 1989

Dear Douglas,

BF 24/4
[Mr Hurd's response?]

POLICE RENT ALLOWANCE

Thank you for your letter of 6 April about the disappointing findings of the Police Arbitration Tribunal.

It is essential that we are not rushed into a decision on this. To preserve our freedom of action, it is imperative that your position is entirely reserved at the meeting of the Committee of the Police Negotiating Board on Monday. Substantial sums of public money, as well as matters of principle, are involved. We need to consider options carefully.

You will recall that at E(PSP) last summer we concluded that we should not then reopen the Edmund-Davies formula for determining police pay, notwithstanding that it gives the police a uniquely privileged position amongst public servants by tying their settlements to earnings. (Even the Review Body for the Armed Forces is open to arguments of recruitment and retention.) But we reached this position only on condition that we were able to reform the over generous and anomalous system of police rent allowances.

Substantial sums of money are at stake here. If we eventually proved unable to secure the savings we agreed on last summer, we would need to look at other ways of saving the money. This cannot, of course, exclude consideration of the Edmund-Davies formula itself. So, of course, would police manpower. As we impress on the private sector, there is a connection between excessive pay and job losses.

We cannot, in all this, ignore the repercussions elsewhere. Other important groups will be watching carefully. Teachers already compare their position unfavourably with policemen; their pay settlement next year will not be easy. Local authorities will not welcome this further call on their resources just when the community charge is being introduced. Generally speaking the idea that the police should effectively have their community charge reimbursed is not likely to be helpful in the wider context.

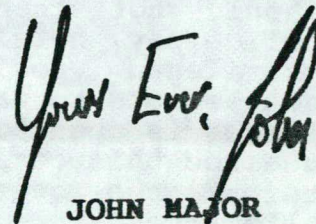
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The first essential is to establish our options. I note the legal advice you have received that the police have a legitimate expectation, enforceable by way of judicial review, that an arbitration award will not be set aside except for reasons of the utmost, or perhaps grave, national importance. I of course accept that any decision by the Secretary of State to reject the recommendations of the Police Negotiating Board would have to be justified on grounds of reasonableness. I also understand that any legitimate expectation as to the procedures to be followed in this type of case, for example as to consultation, must be satisfied and moreover that there can be special circumstances in which representations have been made, either expressly or impliedly, which effectively stop the Government from subsequently taking a different course. But I am seriously concerned by the suggestion that acceptance of the Edmund-Davies Committee's Report means that any award of the Police Arbitration Tribunal must be accepted, however unsatisfactory, unless reasons of the utmost or grave national importance can be found for rejection. If this is correct, the discretion of the Secretaries of State under the Police Negotiating Board Act 1980 is severely circumscribed and, quite apart from the immediate problem of the rent allowance, I think we would have to consider whether this was a situation which should continue in the longer term. In view of the importance of this issue, and indeed its implications for public statements by other departments, I think it would be very helpful to have the views of the Law Officers. We will then be in a better position to judge the room for manoeuvre now available.

At the same time, we need a reliable estimate of the cost of the PAT proposals. Plainly, recycling of allowances into basic pensionable pay will be costly. We need to know the full implications, in order to compare them with the savings we agreed in E(PSP) and I would be grateful if you could provide costings urgently.

I am copying this letter to the Prime Minister, members of E(PSP), and to Patrick Mayhew, Malcolm Rifkind, Tom King and Sir Robin Butler.


JOHN MAJOR

CONFIDENTIAL

CONFIDENTIAL



SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

BF 24/4

The Rt Hon John Major MP
Chief Secretary to the Treasury
Parliament Street
LONDON
SW1P 3AG

| | |
|--------------|-------------|
| CH/EXCHEQUER | |
| REC. | 21 APR 1989 |
| ACTING | CST |
| COPIES TO | |
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✓ 21/4

21 April 1989

Dear Chief Secretary,

POLICE RENT ALLOWANCE

I refer to Douglas Hurd's letter of 7 April to Nigel Lawson about the Police Arbitration Tribunal's Award on the above matter, and to your reply of 14 April.

The Award is clearly very disappointing, particularly with regard to the proposal that the "kitty" for determining the new housing allowance should include the rates reimbursement element. However, while I agree that it would be desirable to consult the Law Officers about the Home Office legal advice before we reach a final decision, my present view is to agree with Douglas' conclusion that we should reluctantly accept the Award. In other words, we should not pursue the confrontational course with the police service which would undoubtedly be involved in a decision to set the Award aside.

At the PNB meeting on 17 April the two Sides agreed to set up a joint Working Party to consider the Tribunal's proposals in detail. Clearly this is likely to be a lengthy process, and at the meeting the Staff Side raised a number of issues concerning the position of Scottish officers.

The first concerned officers in receipt of rent allowance who, following advice from my Department to police authorities, have had their payments reduced since 1 April by the removal of the rates element. The Staff Side argued strongly that, in the light of the PAT recommendation that officers should have their 31 March 1989 rent allowance levels "red circled" (ie. personally protected) when the new housing allowance was eventually introduced and that in Scotland payment of the allowance should be back-dated to 1 April, there was no reason why the 31 March levels should not be restored immediately rather than have to await the conclusion of the negotiations. In support of their case, the Staff Side also drew attention to paragraph 45(c) of the PAT Award which refers to the question of interim payments in Scotland.

With my position being formally reserved, the Official Side accepted this part of the Staff Side's claim. I think that they were correct to do so and, subject to any comments which you or other colleagues may have, I would propose to accept the agreement when it is submitted to me by the PNB and to enshrine it in Regulations at as early a date as possible.

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The Staff Side raised two other points. First, that officers in provided accommodation in Scotland should receive from 1 April an interim payment of housing allowance equal to the flat rate rent allowance in the force concerned. This matter was pressed very hard by the Scottish representatives on the Staff Side. It was, however, rejected by the Official Side on the basis that the claim ignored the fact that while the officers concerned are not at present receiving housing allowance, equally they are not paying rent for their accommodation. The latter is a matter which will have to be negotiated in detail in the PNB. So the effect of the PAT Award is, therefore, at present neutral, leaving aside the fact that, in common with all police officers in Scotland, those in provided accommodation are now having to pay the community charge without reimbursement by the police authority. I accept the Official Side's conclusion on this matter.

The Staff Side's other point was that the date of the biennial reviews which are due in four Scottish forces on 16 May should be advanced to 31 March. The basis of this claim was the statement in paragraph 45(a) of the PAT Award to the effect that in determining the level of the housing allowance "consideration must be given to those forces due a revaluation in the near future". This claim - rightly in my opinion - was also rejected by the Official Side but at the insistence of the Staff Side it was agreed that clarification of what the Tribunal had in mind in the above reference should be sought from the Chairman, Sir John Wood.

I am copying this letter to the Prime Minister, Douglas Hurd, other members of E(PSP), Tom King, Patrick Mayhew and to Sir Robin Butler.

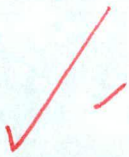
*Yours sincerely,
Malcolm Rifkind*

MALCOLM RIFKIND

Approved by the Secretary of State
and signed in his absence

CONFIDENTIAL

mwp



FROM: J DE BERKER (PAY1)

DATE: 24 April 1989

Ext: 5605

- 1. MS SEAMMEN (PAY1)
- 2. CHIEF SECRETARY

- cc Chancellor
- Sir P Middleton
- Dame Anne Mueller
- Mr Anson
- Mr Phillips
- Mr Monck
- Mr C W Kelly
- Mrs Lomax
- Mrs Case
- Mr Chivers
- Mr Mortimer
- Mr A M White
- Mr Brook o.r.
- Mr Call
- Miss Wheldon (T. Sol)

Ch/ To note Mr Rifkind has now written and, like Mr Hurd (see enclosed), he is inclined to accept the award. CST is being advised to write to press Mr Rifkind not to concede.

Dis

POLICE RENT ALLOWANCE

(behind)

1. Mr Rifkind's letter of 21 April reports the outcome of the meeting of the PNB on 17 April to discuss the recommendations of the Police Arbitration Tribunal (PAT).

2. The position of police in Scotland dominated the agenda because of community charge. The staff side claimed:

(i) Officers in provided accommodation in Scotland should get an interim housing allowance. This was rejected by the official side;

(ii) that the operative date for the rent reviews due on 16 May should be 31 March. This was rejected by the official side but has gone to the PAT for "clarification". You will need to ask Mr Rifkind to reserve his position if that "clarification" favours the staff side; and

(iii) rent allowance in Scotland should remain in payment at its 31 March level (ie including the rates element which has lapsed following the introduction of community charge). This would be on an interim basis until the replacement

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housing allowance is settled. The official side accepted this with the position of the Secretary of State for Scotland reserved. Mr Rifkind now wants to make regulations to bring this into effect as soon as possible. You will want to ask Mr Rifkind to continue to reserve his position.

Officers in provided accommodation

3. Prior to the introduction of community charge, officers in provided accommodation did not receive rent allowance, but on the other hand they did not pay rent or rates. Now that rates have been abolished they are responsible for their own community charge. The PAT envisaged that they would get a housing allowance but they would have to pay the rent. The official side dismissed the claim on the grounds that provided accommodation is still rent free.

Rent reviews

4. Rent allowance is due to be reviewed on 16 May for about 80% of the police in Scotland. The staff side want the review date put back to 31 March. Their objectives are to:

(i) ensure that the proposed personal protection for serving police officers applies to the revised (higher) level of rent allowance which would emerge following the rent reviews;

(ii) the "pot" used to fund the new housing allowance is based on the reimbursement of rates plus the revised rent allowance rather than its lower 31 March level; and

(iii) to set a precedent for the rent reviews due in England and Wales in 1990-91.

5. The staff side claim is based on some delphic comments in paragraph 45(a) of the PAT award which stated "...when the calculations take place to determine the level of the (new) housing allowance consideration must be given to those forces due a revaluation in the near future....". The official side have

rejected the claim but the staff side has insisted on going back to the tribunal for "clarification".

Rent allowance

6. The PAT recommended that police officers should get personal protection for their existing levels of rent allowance (including reimbursement for rates) and that the replacement housing allowance should be funded from what was previously spent on rent allowance (again including the rates element). In paragraph 45(c) of their judgement they said that in Scotland "interim decisions and payments (will need) to be later finalised when the work has been completed. Where opinions are sharply divided the parties should consider remitting such issues to us....".

7. The staff side have used this as a basis for arguing that there should be interim payments of rent allowance at its 31 March level including the rates element. The official side accepted this although the position of the Secretary of State for Scotland was reserved. Mr Rifkind now wants to lay regulations to bring this into effect.

8. The procedure is for the PNB to formally write to the Secretary of State to seek his agreements (they have not done this yet). Regulations are then laid in the Commons subject to negative resolution. The final step is for a circular to be issued to Police Authorities with authority to pay.

9. Clearly, interim payments including the old rates element would be widely interpreted as reimbursement for community charge. It would give the staff side little incentive to negotiate seriously if Ministers decided to stay within the PNB machinery, and it would also be virtually impossible to clawback reimbursement of rates in the final settlement - which was the main saving agreed in E(PSP). Also, once the principle was conceded in Scotland it would have to be accepted in England and Wales.

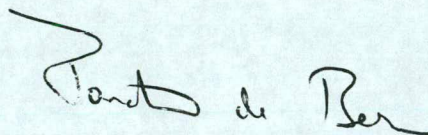
Conclusion

10. Mr Rifkind counsels accepting the PAT award, but he also accepts it would be desirable to consult the law officers before reaching a final decision. Mr Hurd has just written in a broadly similar vein, we will advise you separately on this.

11. With a Police Federation Conference in May and worries about a dock strike it is probably not worth pushing openly for the award to be set aside - hopefully we can do this later - but you will want to stress that until we have the law officers advice and proper costings of the PAT award we should not take any decisions which prejudice our subsequent freedom of action.

12. A draft letter is attached.

13. HE are content.



JONATHAN DE BERKER

CONFIDENTIAL

DRAFT REPLY

FROM: CHIEF SECRETARY

TO: MR RIFKIND

Copied to: Prime Minister, Mr Hurd, other members of E(PSP),
Mr King, Mr Mayhew and to Sir Robin Butler.

POLICE RENT ALLOWANCE

Thank you for your letter of 21 April about the meeting of the PNB on the 17th.

Until we have the Law Officers' advice and proper costings of the PAT award, we should not take any decisions which prejudice our subsequent freedom of action. In particular, ^{it seems to me that} ~~you should not~~ _{our position would be prejudiced by accepting} accept proposals for rent allowance to remain in payment at 31 March levels (ie. including reimbursement for rates) on an interim basis until the new housing allowance is settled. Domestic rates have been abolished in Scotland and it would be obvious that we had effectively conceded reimbursement for community charge. If we do this on an interim basis it gives the Staff Side little incentive to negotiate seriously within the PNB machinery. It would also be virtually impossible to claw back reimbursement of rates in the final settlement - which was the main saving we agreed in E(PSP). And, of course, if we conceded this in Scotland there would be very strong pressure to accept it in England and Wales. You should therefore maintain your reserve and not make regulations enabling these interim payments.

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I am also concerned about the Staff Side's proposal that the rent reviews should be held as of 31 March instead of 16 May. I agree with you that the Official Side were right to reject this proposal. If the PAT's "clarification" were to favour the Staff Side's interpretation you will clearly need to reserve your position.

I am copying this letter to the Prime Minister, Douglas Hurd, other members of E(PSP), Tom King, Patrick Mayhew, and to Sir Robin Butler.

CONFIDENTIAL

5/11/5
BF ~~with PP~~



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|-----------------|--|
| CHIEF SECRETARY | |
| REC. | 2 APR 1989 |
| ACTION | Mr de Becker |
| COPIES TO | Mr Anson, Mr Phillips, Mr W Kelley, Ms Lomax, Mrs Case, Ms Seaman, Mr Mortimer, Mr White, Mr Chivers, Mr Brock |

QUEEN ANNE'S GATE LONDON SW1H 9AT

24 April 1989

Dear John,

Mr Call. ✓

POLICE RENT ALLOWANCE

Thank you for your letter of 14 April about the award of the Police Arbitration Tribunal.

I accept that we should not be rushed into decisions. This does not mean, however, that my position needs to be formally reserved on every issue. The Police Negotiating Board (PNB) is well aware that the Tribunal's award (once the loose ends have been tied up) will have the status of a recommendation to the Secretaries of State and be of no effect until regulations have been made. For the reasons which I gave in my letter of 7 April, it may well prove difficult to think in terms of setting aside the award and imposing arrangements of our own, but the ultimate decision on the award is still one for the Secretaries of State to take.

That said, the position of the Secretary of State for Scotland was in fact formally reserved on an issue which, unexpectedly, will now go forward to Malcolm Rifkind for an early decision. I return to this below.

I accept that, before taking a decision on the overall package, we should have the best possible legal advice on our freedom of manoeuvre. This aspect was gone into with some care in the paper which I enclosed with my letter of 7 April. I agree, however, that it would be helpful to have the views of the Law Officers and I am arranging for these to be obtained. Malcolm Rifkind may well feel that he too should obtain the views of the Scottish Law Officers since the first decision arising from the Tribunal's award will fall to be taken by him in Scotland alone.

The question of costs is also crucial. I am fully aware that substantial sums of money are at stake. In the paper enclosed with my letter of 7 April I pointed out (paragraph 11) that the rates element of rent allowance is estimated to be about £74 million in England and Wales and that that stands to be foregone if the Tribunal award is implemented. The same goes for compensatory grant (estimated in paragraph 21 to cost about £87 million in England and Wales) if it is used to make part of the new housing allowance pensionable.

My paper also included (paragraph 18) an indication of the kind of differences which would have arisen between 1981 and 1988 had a housing index or the RPI been used instead of the present method of updating rent allowance.

The Rt Hon John Major MP.

/over...

So, as you say, substantial sums are at stake. But local authorities could hardly, as you suggest, regard them as "a further call on their resources". They have been meeting these calls, as far as rates and compensatory grant are concerned, for decades, whereas the choice of an index still holds out some hope of savings.

The arbitrators made it clear that, in broad terms, they intended the costs effects of their proposals to be neutral, with the savings arising from the phasing out of compensatory grant being used to make part of the new housing allowance pensionable. The Official Side Secretariat have undertaken to prepare costings, in order to inform discussion in the PNB working party. I certainly want my own pensions people to be involved in checking the calculations. These are likely to be complicated, since they will involve actuarial as well as financial considerations.

Certainly the immediate savings which we had hoped to obtain from the review of rent allowance will not be made if the Tribunal's award is accepted. The position on future savings is a little more hopeful. But this will depend largely on the index which is selected for the updating of the new housing allowance and on the way in which that index performs in comparison with increases in the cost of open market rented accommodation. This is hardly predictable at this stage.

Finally, I should report on the proceedings of the relevant Committee of the PNB on 17 April. As I said in my letter of 7 April, the Tribunal left a number of matters open for further consideration by the PNB. At the meeting on 17 April it was agreed that these should be remitted to a small working party for consideration.

The Staff Side presented three proposals for dealing on an interim basis with the difficulties which have arisen in Scotland because of the abolition of rates and the introduction of the community charge on 1 April. Two of these proposals were rejected. The third proposition was that Scottish officers serving at 21 March 1989 would receive the same level of allowance (i.e. including the rates element) in the interim as they were receiving on that date. This was in line with the Tribunal's conclusions on protection for individual officers and on the need for "interim decisions and payments in Scotland to be later finalised when the work has been completed". Malcolm Rifkind's position was, as I have already said, reserved. I must leave it to him to describe these Scottish decisions in greater detail and to make proposals.

As for the remaining issues, although the working party hopes to start work fairly soon, there are some difficult matters to be addressed. Rapid progress seems unlikely and it would be surprising if the PNB was able to reach agreement much before the autumn. Until the PNB has tied up these loose ends, the arbitration award will not have been finalised and there will be no recommendation for the Secretaries of State for the Home Departments to consider. I therefore see no danger of our being rushed into a decision.

Copies of this letter go to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King, Patrick Mayhew and Sir Robin Butler.

Coner,

Doyln



CONFIDENTIAL

BF 7/5

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

BF 23/5

[Legal advice being sought
on imposing settlement]

My ref:

Your ref:

The Rt Hon Douglas Hurd CBE MP
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

| | |
|--------------|--------------|
| CH/EXCHEQUER | |
| REC. | - 4 MAY 1989 |
| ACTION | CST |
| COPIES TO | |
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4

May 1989

Sean Douglas

POLICE RENT ALLOWANCE

I have a copy of your letter of 14 April to Nigel Lawson which enclosed a copy of the findings of the Police Arbitration Tribunal. I also have a copy of John Major's reply.

I share John's and your disappointment at the outcome and very much endorse his assessment of the next steps in negotiations.

My main interest is in the Tribunal's conclusion on the treatment of resources devoted to the rates element of the police rent allowance. E(PSP) agreed that this unwarranted perk should be abolished, without compensation for the community charge. It is galling to see our decisions being subverted in this way. This outcome, if it persists, does not sit well with our approach to other groups of gainers and losers under the community charge, and is likely to lead to further pressure on this front.

More generally, you will be aware of the great problems for local government of having this one group of employees whose pay has gone quite disproportionately ahead of all other groups for several years now. As John suggests, if we fail in our efforts to moderate police allowances, we may have to mount a more determined effort to break the Edmund-Davies formula.

I am copying this letter to the Prime Minister, John Major, other members of E(PSP), and to Patrick Mayhew, Malcolm Rifkind, Tom King and Sir Robin Butler.

Nicholas Ridley

NICHOLAS RIDLEY

BF 23/5

CONFIDENTIAL

FROM: J DE BERKER (PAY1)

DATE: 10 May 1989

Ext: 5605

- 1. ~~MS SEAMMEN~~ (PAY1)
- 2. PS/CHIEF SECRETARY

cc PS/Chancellor
 Sir P Middleton
 Dame Anne Mueller
 Mr Anson
 Mr Phillips
 Mr C W Kelly
 Mrs Case
 Mrs Lomax
 Mr Mortimer
 Mr White
 Mr Brook
 Mr Call

*rowp
 (on BF)*

Ms J Wheldon - T. Sol
 Mr M Hemming T. Sol

POLICE RENT ALLOWANCE

1. This is just to inform you of current developments:

(i) Legal case for the law officers

We have now seen and commented on the draft case for the law officers prepared by the Home Office. Treasury Solicitors have asked to see it again once it has been amended in the light of our comments. Provided these are incorporated it should be acceptable.

(ii) Police Federation Conference

This is due to take place at Blackpool next week, on Monday, Tuesday and Wednesday. Mr Hurd is due to address the conference on Wednesday. Last year his speech was cleared with us and his officials have agreed that this should be done again this time. We will advise you further when we get the draft speech.

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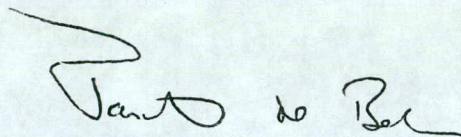
(iii) **Costings**

The Home Office claim that they are not in a position to cost the PAT's recommendations but that in due course costings will be provided by the secretariat of the official side (LACSAB). Clearly this is not satisfactory, especially if the Prime Minister is right and the PAT's recommendations prove to be costly (cf your minute of 12 April) so we have put work in hand at this end. This should also enable us to present the costings in a way which highlights the loss of savings envisaged by E(PSP).

(iv) **Correspondence**

We do not think it is necessary to reply to Mr Hurd's letter of 24 April. The substantive points were covered in the Chief Secretary's previous letter of 14 April and in his reply to Mr Rifkind of 25 April. Similarly, we do not think it is necessary to respond to Mr Ridley's letter to Mr Hurd of 4 May although his support for our position is clearly helpful.

2. HE are content.



JONATHAN DE BERKER

CONFIDENTIAL

FROM: J DE BERKER
 DATE: 12 May 1989
 x5605

1. MS SEAMMEN (PAY1)
 2. CHIEF SECRETARY

cc Chancellor
 Sir P Middleton
 Dame Anne Mueller
 Mr Anson
 Mr Phillips
 Mr C W Kelly
 Mrs Case
 Mrs Lomax
 Mr Mortimer
 Mr White
 Mr Brook
 Mr Call

[Papers sent to legal
 officers 26/5]

BF 30/6

Miss J Wheldon) T Sol
 Mr M Hemming)

SPEECH TO THE POLICE FEDERATION CONFERENCE

A draft of the speech Mr Hurd will be making to the Police Federation Conference at Blackpool next Wednesday 17 May is attached.

2. On the whole it is pretty anodyne. We have asked for amendments to paragraph 8, 9, 13, 14, and 20. These are marked in manuscript.

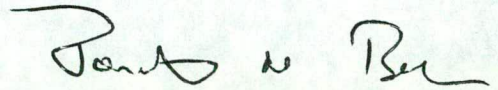
3. From our point of view the key part of the speech is contained in paragraphs 7-9 which deal with pay and allowances. Rather to our surprise the Home Office have not taken legal advice - we have made it clear to Home Office officials that it is essential that they should do this and T Sols have alerted Home Office lawyers to the situation. There may need to be further amendments to the speech once the lawyers have seen it.

4. Judging by last year's experience Mr Hurd will continue to work on his speech until the last moment, but are there any further comments you would like us to make on the present draft?

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5. HE are content.



JONATHAN DE BERKER

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E.R.

HOME SECRETARY'S SPEECH TO THE POLICE FEDERATION'S ANNUAL CONFERENCE: 17 MAY 1989

1. Thank you, Mr Chairman, for your welcome. I am very pleased to have this further opportunity of speaking to you all today. There have been some changes on the front row of the platform since I last addressed your Annual Conference. The Federation is under new management. But it is clear from your speech, Mr Chairman, that one thing will not change. Your Annual Conference will remain an occasion for plain speaking. You have put your views to me frankly and I shall do my best to respond to them in the same spirit.

The state of the police service

2. We are emerging from one of those periods of unsettled discussion of police affairs. These periods happen quite often but don't last very long. There may be an unsatisfactory case, or a real tragedy, a television programme, an opinion poll, or a combination of all these - and rather ragged debate gets under way, with contributions from the Federation and one or two of the less silent Chief Constables. But no-one here needs any press revelations or chats on the Today programme to tell them the fundamental facts about policing today.

3. There is no secret about police work - it is hard, and getting harder - and setting up a Royal Commission or a national police force will not make it a whit easier. The total of recorded crime has fallen almost everywhere, because of sharp falls in burglaries, some kinds of theft, and even robberies. Crime has fallen most where it is worst. That is a credit to the police, and to the increasingly imaginative ways in which police and public work together. But the totals are still far too high and the totals don't describe the violence and the danger to which the police are week by week exposed. The armed robbers or drug traffickers whom you have to watch and trap at risk of your own lives - the brawling of drunken youths in a town centre - the loneliness of the vandalised crime ridden housing estate at night - and all the time the knowledge that after one controversial decision the mass

E.R.

searchlights of the media may bear upon you, and you will be the target of instant comment, some fair, some unfair, all far removed from what you or your senior officers had to decide on the spur of the moment. These are some of the features of modern policing, emphasised to me as I do my round of force visits. It is my job and yours to make sure that they are understood by the public whom you protect.

4. There is no secret about the continuing case for more men and women and higher spending on the police. It is precisely because that case is sound that my predecessors and I have managed to secure a bigger increase in real terms for the police than for any other major public service. Let me illustrate this. Over the past 10 years, expenditure on education has increased by some 9% in real terms. Expenditure on defence has increased by 18%; for the Health service^{is} is some 40%. During that same period expenditure on the police service has increased by almost 55%. So there can be no doubt at all about our commitment.

5. The steady build up of police strength in England and Wales is continuing this year, and will continue next. I will come to the details in a minute. But anyone who suggests that a Royal Commission would simply come out in favour of more resources for the police is not living in the real world. Of course they would unpick Edmund-Davies and look at him all over again. Of course they would ask for performance indicators. Of course they would look at the marked unevenness of performance in managing resources.

6. The police service should welcome new ideas, from inside and outside its own ranks. If a Home Secretary were ever to feel that the whole structure of the police service needed change, or that the service had shut itself up in a laager to resist change, then he might well want an outside enquiry to prise the service open. That is not my view today. I am sure that the structure of local police forces is right, at a time when local links with the community are all important. I am clear that methods of policing are going to change and develop fast in coming years. But more than most I am exposed to the new ideas coming up from all ranks in the service, and in Parliament impatience with slow or wasteful

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ways of using police officers or handling their careers. I believe that the police service has it within itself, with encouragement from Government, to stimulate the necessary change.

Pay and allowances

7. Pay and allowances are, of course, of crucial importance to the morale of the police. If they are right, they ensure that we can recruit people of the calibre needed to provide an effective and truly professional service. This time last year, a good deal of concern was expressed about the outcome of the Police Negotiating Board's review. Just to make sure that I got the message, your Chairman, Leslie Curtis, devoted a large part of his speech last year to telling me how iniquitous the review was. You, Mr Chairman, have mentioned it again today.

8. That review has nearly been completed. For pay, the Edmund-Davies updating arrangements remain in place. The Police Arbitration Tribunal took a long hard look at rent allowance. It then delivered an award which sought to modernise the allowance, ~~without leaving police officers viewed generally either better off or worse off.~~ ^{Important aspects} Some details of the arbitration award remain to be negotiated. Until that has been done the issue will not have been finally resolved. And I cannot ~~formally~~ decide the award until the PAB submits ~~a complete package as a~~ recommendation to me. You would, Mr Chairman, I am sure, be the first to castigate me if I tried to jump the gun on this matter.

9. What I can say is that reviews of this kind must be held from time to time. The police pay bill amounts to 85% of all expenditure on the police service. The present pay bill for England and Wales is (£2300) million a year. Police officers are now a very expensive resource and I have to be able to demonstrate that all the expenditure on the police service is fully justified. I cannot say that you should go on receiving a particular allowance just because it has always been paid, since 1920 or whatever. That is no argument. I have to be able to show why it needs to be paid now. But I do accept that the present review has been a long drawn out process which has understandably been of concern to individual

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officers. I ~~hope that the remaining negotiations can be completed~~
~~as quickly as possible.~~

Police Manpower

10. I would like to pick up two points about police manpower. First, you said that the Federation is tired hearing about the extra resources which they have already received. Second, you argue that the police service is being denied the resources which it needs now.

11. I am going to give you the facts yet again and make no apology for doing so. They are impressive by any standard and are not to be denied. There are now almost 14,000 more police officers than when this Government first took office. By the time the increases which I approved at the beginning of the year work through, this will rise to over 15,000. In addition there are almost 8,000 more civilian staff with, over the last 6 years, around 4,000 police officers, released through civilianisation. This process will continue to release police officers in substantial numbers. Expenditure on the police is up by almost 55% in real terms.

12. I am of course aware that some of this growth has taken place as a result of vacancies being filled. But that does not diminish the achievement in the slightest. The Government is entitled to take credit for changing the climate over recruitment to fill vacancies. We not only implemented the Edmund-Davies recommendations, which made police pay competitive once again. We also increased police grant and changed the political climate in which some police authorities deliberately held vacancies for financial reasons.

13. There is, however, a link between your annual pay increases and our ability to meet the costs of additional police officers. Every 1% increase in police pay adds over (£20) million to the police pay bill. That would meet the cost of employing another 800 constables. Last year's pay settlement alone would have met the cost of nearly 7,000 extra constables. The savings sought by the Official Side of the PNB on rent allowance would ~~have met~~ ^{meet} the cost

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E.R.

x of a further 6,400. These are facts which I cannot ignore, ^{and} because the world outside does not ignore them.

14. There seems to be a belief in certain circles that increases in police manpower resources come with the rations. Believe me, they do not. They have to be fought and argued for, in competition with colleagues who feel that their equally important services - defence, health and education, for example - have an ^A ~~an~~ equally stronger case. The figures which I mentioned earlier provide clear evidence of the priority which has been accorded to the police. You remain unimpressed. You argue that more manpower resources are needed to meet increasing demands. To that I reply "Certainly you have more to do but you have more to do it with". Over the last 10 years, 7,000 extra posts have been approved in recognition of these extra demands. And I am committed to a programme of further substantial increases beginning in 1990/91.

Value for money

15. My third point on the theme of resources is that I cannot be deaf to those who ask what the service has achieved in return for the priority which it has received. What evidence is there of its willingness to meet its resource needs through increased efficiency? Are the public getting value for their money?

16. The cost of police resources, in terms of overall expenditure on the police service, is largely a matter for central and local government to weigh and determine. Their value, on the other hand, is largely down to you. It is your professional policing and management skills which determine how much you can do, and how well you do it. This is what I mean when I talk about value for money.

17. Value for money is not, and never has been, about the narrow search for economies. It is about putting resources to their best possible use. It is about having the right people in the right places at the right times, using the best possible information. It is about not using police officers for tasks which do not require their skills and training. It is about planning and priorities, having clear goals and constantly seeking better ways of achieving them.

18. Measures required to ensure value for money may not always be easy to accept, particularly in services where working practices are hallowed by long tradition. The anguished opposition from distinguished members of the legal profession to the Lord Chancellor's proposals for reform indicate how painful the transition can be. But, painful or not, the need to provide value for money must be accepted by all public services - and by all private ones, if they wish to stay in business.

19. The police service has, in fact, demonstrated time and again in recent years that improved efficiency is just as important a source of extra operational capacity as an increase in the number of police officers. Over 4,000 extra police officers have in effect been found since 1983 through civilianisation. Forces are constantly finding new ways of releasing the time of police officers for other tasks. Computer-generated custody records, simplified procedures and forms, better criminal intelligence. All these initiatives make better use of police resources.

20. Improved value for money will remain an important source of extra operational capacity. There are always better ways of doing things, and I shall be relying on you to find them. But we must also make sure that you can benefit from the successful work of others. The Audit Commission has proved to be a very useful source of practice guidelines, and on the limited number of subjects they have covered, ^{so far} they have exposed a ~~fairly~~ wide disparity of practice and performance. I have asked the Home Office and HM Inspectorate of Constabulary to give priority to enabling the police service to close this gap by bringing successful practice to wider attention.

The Commission's latest paper on vehicle fleet management identifies the potential for savings of up to £25m per year by adopting best practice.
Privatisation

21. I turn now to the spectre of privatisation. You suggested, Mr Chairman, that the expansion of the private security industry and the increasing use of security guards by businesses and local authorities represented a move towards the privatisation of police activities. That is not so. The fundamental tasks of fighting crime and preserving the peace could never be undertaken by any outside body. The public are right to think that the streets of

E.R.

our towns and cities are made safer by the presence of uniformed personnel. But the uniform must be that of a police officer, who has the powers and the training to deal with any incident which may arise.

22. Having said that, we have to face facts. No matter how much the police service is expanded, it can never be expected to do everything on its own. Every citizen must do what he can to prevent crime - particularly the opportunist crimes which are often easily preventable. This enables the police to concentrate on more serious crime. If, in addition, people are prepared to pay security firms for such duties as guarding property, I believe that it is right that they should be allowed to do so. But the provision of such services is simply supplementary - it can only be supplementary - to the services which regular police officers provide.

Port constabularies

23. You expressed particular concern, Mr Chairman, about the swearing in of the employees of a security firm as special constables at Parkeston Quay, following the withdrawal of the British Transport Police from policing duties there. I fully understand and share that concern. I recognise the dangers inherent in this unexpected use of outdated legislation by private companies to provide their employees with police powers. The legislation in question - section 47 of the Harbours, Docks and Piers Clauses Act 1847 - is primarily the responsibility of the Secretary of State for Transport. I have made him aware of my concern and I hope that we shall be able to consider jointly what might be done to limit the use of these powers in future.

Private security industry

24. This brings me to the private security industry more generally. The contribution which industry can make to relieving the burdens of the police has to be balanced against the risk to the community when private security services are offered by the wrong people. I am concerned at the potential dangers of the proliferation of small firms and the ease with which people with criminal records can join such firms or start their own. The

E.R.

extent of criminal involvement in the private security industry was the subject of a recent report by the Association of Chief Police Officers.

25. The Government has made it clear that it looks to the industry to provide self-regulation. A good deal of progress has been made, for example with the implementation of standards, including those for pre-employment vetting. But there is a need to bring more firms, particularly the smaller ones, within the scope of self-regulation and to exclude from the industry those that are less reputable. A working group comprising representatives of the Home Office, ACPO and the private security industry is now considering ways in which the arrangements for self-regulation might be made more effective. I look forward to receiving their report.

Police/Public Relations:

Vigilantes

26. Whatever the role of the security industry, the police do need the support of the public. There are many ways in which the public can help to combat crime. Their involvement in Neighbourhood Watch schemes and crime prevention panels are obvious examples. For those public spirited citizens who wish to give more active support there is the Special Constabulary. Organisations such as these attract widespread public support and their value is beyond doubt.

27. Vigilante groups are a different matter. For those who understand the full implications, the prospects of vigilante groups on the streets or on the underground gives rise to the utmost concern. I would not wish to see bodies like the Guardian Angels operating in this country. But what the recent publicity given to the Guardian Angels has shown is that there is a section of the community whose enthusiasm is waiting to be tapped. It is important to find credible and acceptable outlets for this enthusiasm. This would further strengthen the links between the police and the community in tackling crime.

28. The success of these links between the police and the community will depend crucially on how the police are viewed by the

E.R.

public. I expect we all have reservations about the accuracy of some of the findings in the recent crop of opinion polls. But we clearly cannot ignore the general message. The public, rightly, expect the highest standards of professionalism from the police service.

29. How can we tackle this gap between public expectations and perceptions of police performance? I would be the first to admit that it is a difficult task. Many encounters between the police and the public take place in an atmosphere of mutual hostility and distrust. And police officers are particularly vulnerable to malicious complaints and allegations made in an attempt to escape criminal prosecution. It is also a sad but unavoidable fact that the rare instances of bad behaviour by police officers attract far more public attention than the great body of police/public encounters which are handled in a professional manner.

30. A professional approach to policing is of paramount importance if the police are to maintain the public confidence on which their success depends. This places a heavy duty on the shoulders of each and every police officer. Your aim must be to deal efficiently and courteously with the public, no matter how trying the circumstances. This professional individual behaviour needs to be backed up in forces by clear police objectives and means for ensuring those objectives are met. The Metropolitan Police's new "Plus Programme" for example, re-states its commitment to a high-quality public service, but goes far beyond good intentions in taking forward a specific programme of action to improve public confidence. Another force, Thames Valley, has run a "Make Contact" programme for each and every officer which drives home the message that the public are "customers" on whom the police depend for help, information and support. Furthermore, many forces have specific goals - a key one for West Midlands this year, for example, is "to build on partnerships already established through community contact, to improve the quality of service to the public".

Professionalism

31. In translating this commitment into positive action at street-level - the yardstick, inevitably, by which the public will judge

E.R.

the service - I am sure that the Federation will play a full and significant part. [And I think it goes without saying that, in striving to improve our relations with the public, we all recognise the need for professionalism. This does entail a credible system for investigating complaints against the police. I was sorry to hear that earlier this morning you had been debating a motion of no confidence in the Police Complaints Authority. I was sorry because that might give the wrong impression. I am sure that no Federation member would seriously argue that there should be no system for investigating complaints. Where behaviour is alleged which does not conform to the standards expected of a truly professional service, there must be a proper way of looking into the grievance. I hope that, whatever else, we can agree on that.]

32. The increasing professionalism of the police service is demonstrated in a number of ways. In recent years we have seen the adoption of better recruit selection procedures, improved training and more sophisticated arrangements for career development. We have seen changes in shift patterns, arrangements to relieve operational police officers of the burden of paper work and astonishing advances in the use of technology.

33. But one aspect of the professionalism of the police service remains unchanged; its adaptability. In his speech last year, Leslie Curtis applied a quotation from Shakespeare to the police service - "one man in his time plays many parts" - and went on to say that in the course of your careers you might be called upon to perform as ambulancemen, firemen and gaolers. You may feel that you are have been required to play the last of these roles so often that you are in danger of being type-cast. so I should like to say a word or two about that.

Police cells and Wandsworth

34. As we all know, the police have been called upon to provide a higher than usual measure of support to the Prison Service over the past couple of years. Year on year the demands o the Prison Service have been increasing. We have responded by investing an unprecedented level of resources in the Service to provide more and better prison places. At the same time we have pursued a new

E.R.

approach to managing the Service which is designed to make it operate more efficiently and effectively to the benefit of the criminal justice system as a whole.

35. But the Prison Service could not reasonably adapt and expand overnight to accommodate a level of demand which has been increasing at such a rate. Prisons have become more and more overcrowded. Meanwhile a few minority elements in the Service have engaged in a futile but damaging course of sporadic disruption in pursuit of their own narrow interests. As a result of these factors large numbers of prisoners have overflowed from prisons into police cells. This reached a peak last Autumn when nearly every force was holding prisoners in its cells, many from very far away.

36. This is something which I have never been prepared to tolerate. A number of very determined measures were ordered to put an end to it. The situation is now better than it has been for more than 2 years. I shall not be satisfied until police cells are cleared of prisoners entirely and that remains our very firm goal. But I do appreciate the contribution of the police in coming to the aid of the Prison Service. I recognise the job was an unwelcome one for those involved but it did much to keep the machinery of criminal justice working.

37. The police came to the aid of the Prison Service in another way earlier this year. I refer, of course, to the operation at Wandsworth. I understand why this particular task went against the grain. But I was most impressed when I visited Wandsworth to see at first hand just how well the police officers concerned had adapted to the demands of the job. In circumstances which no-one welcomed, this was an example of professionalism of the highest order.

Peroration

38. The police service has a difficult task. You are exposed not only to danger but also to criticism. Danger you accept as an unpleasant but inevitable feature of the job. Unjustified criticism - and there is far too much of this, particularly in the

E.R.

media - you naturally resent. The demands which may be placed upon you are virtually limitless. Unfortunately the resources which can be made available to meet those demands are not. So you have to do the best you can to meet the demand with the resources which you have. This presents a daunting challenge. You have responded to that challenge in the best possible way, by seeking constantly to improve your professionalism and the standard of service which you provide for the public. I pay tribute to you for that. The people of this country have good reason to be proud of their police service.

39. If you are to continue to provide the standards of service which we have all come to expect, you will continue to need the Government's whole-hearted support. That support has been given unstintingly over the past ten years and we have shown it in three main ways:

- by giving priority to the needs of the police service. Police officers are now better paid, better equipped and better trained than ever before. The strength of the police service now stands at a record level and the steady build-up will continue;

- by passing legislation to provide the powers you need in the fight against crime. the past two or three years, in particular, have seen a number of measures designed to help you in your task, such as the legislation on firearms, knives, martial arts weapons and the seizure of assets accumulated from major crime;

- by mobilising public support. The remarkable growth of neighbourhood watch and various similar initiatives, our wide-ranging crime prevention campaigns and our steadily expanding Safer Cities initiatives have all played their part in encouraging the public to help to reduce the risk of crime.

40. In conclusion, Mr Chairman, let me say this. We shall no doubt continue to have differences of opinion about certain matters. We shall no doubt have occasion to speak frankly to each

E.R.

other about matters over which we do not see eye to eye. But of one thing you should be in no doubt at all. I shall continue to do everything in my power to promote the best interests of the police service and to ensure that you receive the Government's wholehearted support.



Our Ref: POL/89 172/3/5.

✓ 17/5

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QUEEN ANNE'S GATE LONDON SW1H 9AT

16 May 1989

pwp
(on BF?)

Dear Nicholas,

POLICE RENT ALLOWANCE

Thank you for your letter of 4 May, in which you commented on the problems presented for local government by the fact that the pay of the police had gone quite disproportionately ahead of all other groups for several years.

I accept that police pay may have tended to move ahead of some, though not all, local authority groups over the past few years. That is, however, too narrow a basis of comparison. The purpose of the Edmund-Davies formula was to ensure that increases in police pay stayed broadly in line with pay increases in the economy as a whole.

In their 1987/88 review of police pay, the Official Side of the Police Negotiating Board examined carefully the extent to which the application of the Edmund-Davies formula over the past few years had achieved this objective. On the basis of the attached figures (compiled from the New Earnings Survey), they concluded that there was no evidence that police pay increases had been out of line with pay increases in the economy as a whole.

Even if increases in police pay over the past few years are compared with increases in the pay of other public sector groups, the belief that their pay has moved disproportionately ahead is not borne out, as the comparisons with other occupations show.

Copies of this letter go to the Prime Minister, John Major, other members of E(PSP), Patrick Mayhew, Malcolm Rifkind, Tom King and Sir Robin Butler.

[Handwritten signature]

The Rt Hon Nicholas Ridley, MP.

19/5/89.

pmw



This should have
been attached
to the Home Secretary's
letter. 16/5/89 TO
WITH NICHOLAS
RIDLEY
**THE COMPLIMENTS OF THE
PRIVATE SECRETARY**

HOME OFFICE
50 QUEEN ANNE'S GATE
LONDON SW1H 9AT

CH/EXCHEQUER 19/5

| | |
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ANNEX

| | Change 1979/86 | Change 1981/86 | Change 1983/86 |
|---|-------------------|-------------------|-------------------|
| | % | % | % |
| Police total earnings | 97.7 | 47.6 | 22.6 |
| Police total earnings (excluding rent allowance and overtime) | 103.6 | 49.8 | 24.2 |
| Non-manual male earnings | | | |
| Lower Quartile | 102.8 | 43.6 | 21.8 |
| Median | 111.8 | 47.3 | 24.6 |
| Upper quartile | 120.8 | 50.6 | 25.6 |
| Non-manual male earnings (excluding overtime) | | | |
| Lower quartile | 103.1 | 42.7 | 21.2 |
| Median | 111.7 | 46.6 | 24.2 |
| Upper quartile | 117.4 | 48.0 | 24.8 |

Pay increases 1984-88

| | |
|---------------------|-------|
| Police | 35.2% |
| Firemen | 34.0% |
| Teachers | 38.0% |
| Staff nurses Band D | 49.1% |
| Staff nurses Band E | 72.7% |
| Armed forces | 40.5% |



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QUEEN ANNE'S GATE LONDON SW1H 9AT

Phf

25 May 1989

Dear John,

POLICE RENT ALLOWANCE

You may like to know that a Working Party set up by Committee D of the Police Negotiating Board met for the first time on 22 May.

The Staff side demanded an extremely early response to the PNB agreement that officers in Scotland should have their allowance restored to 31 March 1989 levels. This was noted by the Scottish Office representative but the reservation of the Secretary of State for Scotland remained in place.

A further Tribunal award, delivered on 16 May, was circulated to members of the Working Party. This dealt with the position of forces in Scotland who were due for a review of rent allowance. The Tribunal decided that, in those forces in which the biennial revaluation last took place within the year preceding 31 March 1989, the pool out of which the new allowance would be calculated should be formed from the amounts actually being paid on 31 March 1989. But for those forces in which the revaluation last took place more than one year prior to the introduction of the new allowance, the rent component should be updated from the date of the last review to 31 March 1989 by the index yet to be agreed.

Although this award seems only to apply to Scotland, the Staff Side assumed that the same principle should apply in England and Wales in due course. There could be extra costs in the arrangement proposed by the Tribunal, although the new method of indexation, when agreed, is unlikely to be as costly as the present rent allowance review arrangements. The Official Side put it on record that they would be seeking to mitigate any extra costs arising by phasing in any increases due to officers whose existing rent allowance is below the level of the new housing allowance over a couple of years or so.

/Otherwise, there

The Rt Hon John Major, MP
Chief Secretary to the Treasury

Otherwise, there was broad agreement over the method of calculating the new allowance. It was agreed that a separate, smaller, working group should be set up to explore the indexation options. The Staff Side made it clear that they were after annual, not biennial, updating and that the index must be based on housing costs. But they were willing to look at the options.

I understand that my officials have already requested advice from the Department of the Environment and the Treasury about possible indices but that little seems to be available apart from the housing costs element of the RPI. If there are any other ideas, we need them very soon.

There is also to be a small separate working party on the phasing out of compensatory grant. The Staff Side said that they would oppose any method of making housing allowance pensionable if it involved increasing officers' pension contributions. The new working party will clearly have to go thoroughly into the pensions technicalities.

On fixing rents for accommodation provided by police authorities, the Staff Side were inclined to agree that this should be done by the District Valuer and that each property should be assessed individually. The Official Side are, however, concerned to ensure that rents and housing allowance remain thoroughly in equilibrium. Otherwise officers will either be making a handsome profit or be paying such high rents as to deter would be recruits. Both Sides are agreed that whatever arrangements are devised they should not lead to officers acquiring either security of tenure or the right to buy.

I am sending copies of this letter to the Prime Minister, the other members of E(PSP), Malcolm Rifkind, Tom King, Patrick Mayhew and Sir Robin Butler.

Yours
Dougherty

CONFIDENTIAL

Since the working group
is to meet again on
22 June, it would be

FROM: J de BERKER (PAY1)
DATE: 20 June 1989
ext 5605

- 1. MS ✓ YOUNG helpful if you could write tomorrow.
- 2. CHIEF SECRETARY

cc Chancellor
 Sir Peter Middleton
 Dame Anne Mueller
 Mr Anson
 Mr Monck
 Mr Phillips
 Mr C W Kelly
 Mrs Case
 Mrs Lomax
 Mr Mortimer
 Mr White
 Mr Brook
 Mr Call

Edna Young
25/6

BF 6/7

POLICE RENT ALLOWANCE

1. Mr Hurd's letter of 25 May reports an award made by the Police Arbitration Tribunal (PAT) on 16 May concerning rent reviews due in Scotland, and the outcome of a meeting of a working group of the Police Negotiating Board (PNB) on 22 May.

2. The working group is due to meet again on Thursday 22 June and again on Monday 26 June. In your reply we advise you:

- to reiterate the importance of resisting pressure from the staff side to implement interim housing allowance arrangements in Scotland until we have the advice of the Law Officers and it has been considered by E(PSP). So far Mr Rifkind has reserved his position (and thereby blocked) a PNB agreement to pay what used to be the rates element of rent allowance which lapsed with the introduction of community charge;
- to ask that representatives of the Home Departments do not endorse the PAT award on rent reviews in Scotland (it was not discussed on 22 May);

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- to endorse the view that the indexation^{of} rent allowance is better done biennially than annually, and that notwithstanding the PAT decision that the uprating index should be based on housing costs to emphasise that the all items RPI would be preferable. In any event costings will be needed before E(PSP) come to a decision on this;
- to emphasise that in discussing the proposals for phasing out compensatory grant and using the savings to make some or all of the new housing allowance pensionable it is essential that employee contributions are not waived (the police scheme is contributory), and that any costing must be approved by the Government Actuary's Department (GAD);
- to agree with Mr Hurd that it is important officers with provided accommodation do not make a profit ^{or the right to buy} out of the new housing allowance or get security of tenure. The Home Office are taking legal advice - we will need to see this.

Interim housing allowance arrangements in Scotland

3. At the meeting of the PNB on 17 April the Official Side agreed that rent allowance in Scotland should remain in payment at its March 31st level, ie including rates. This was covered in my submission of 24 April, but briefly Mr Rifkind's representative blocked this by reserving his position. In your letter of 25 April you asked Mr Rifkind to maintain his reserve because otherwise we would be effectively reimbursing community charge and it would be virtually impossible to claw this back in any final settlement.

4. The PNB sent a draft circular to the Scottish Office on 18 May and the next stage is for Mr Rifkind to make regulations to put it ^{But in view of his reserve} into effect. [^] this has not happened, and Mr Rifkind's representatives on the Official Side anticipate that both sides of the PNB will give them a difficult time on account of this.

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PAT award on rent reviews in Scotland

5. At the meeting on 17 April the Staff Side claimed that rent reviews in Scotland due on 16 May should be put back to 31 March. This claim was rejected by the official side but the staff side appealed to the PAT.

6. The PAT's verdict is mixed. The rent reviews are halted, but for forces where the previous rent review took place more than a year before 31 March 1989 (ie those with rent reviews due on 16 May) the ^{rent} ~~rates~~ allowance should be uprated from the date of the previous rent review (May 1987) to 31 March 1989 by whatever uprating index is agreed in place of rent reviews. The leading candidate is the housing component of the RPI. Between May 1987 and March 1989 this rose by about 23 per cent which is probably less than private sector rentals but still very substantial.

7. You asked Mr Rifkind to reserve his position if the PAT award favoured the Staff Side. The award was not discussed on 22 May but we understand that the award and its application to England and Wales may be raised this time round. You will want to ask that the Home Departments continue to reserve their position.

Indexation of rent allowance

8. The attached table compares the RPI (all items) which was the uprating index favoured by E(PSP) with the housing component of the RPI and the increase in rent allowance for England and Wales. The housing component of the RPI covers mortgage interest, rates (to be replaced with community charge in due course) water charges, repair and maintenance, and DIY. The rent allowance figures are based on private sector house rentals. The Home Office were unable to provide figures for the average annual increase in rent allowance. The figures shown compare the highest figure each year with the highest the year before and a similar comparison for the lowest rent allowance in each year.

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9. Mr Hurd says that the new method of indexation for rent allowance is unlikely to be as costly as the previous method. Although the figures are not conclusive we doubt whether there will be any appreciable savings if the new uprating mechanism is based on the housing element of the RPI.

Phasing out compensatory grant

10. The police have a fast accrual pension scheme, financed on a pay as you go basis. The employee contribution is 11 per cent for male officers and 8 per cent for women. The employers meet the balance of the cost - currently about 27 per cent. The employee contribution was raised by 4 per cent in 1982 as a measure to ensure that employees paid a realistic share of their pension costs.

11. The PAT envisaged that compensatory grant should be phased out over 5 years and the savings absorbed by making the new housing allowance pensionable. The Staff Side do not want to pay employee contributions on the additional pension rights. We have already made it clear at official level that it is essential that there must be employee contributions and that, in view of the large sums of money at stake, any costing must be approved by the GAD.

12. Apart from maintaining the integrity of the police pension scheme, and preventing undesirable repercussions for other public service pension schemes, our insistence on employee contributions is not for negotiation with the police, but it may induce them to drop the proposal altogether.

13. Apart from consideration of overall costs the GAD's advice is important because the cost of making housing allowance pensionable will vary according to an individual's age and will increase substantially for those nearing retirement.

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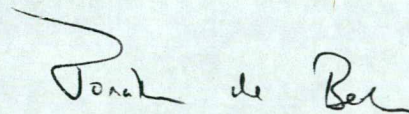
Officers in provided accommodation

14. The Home Office are taking legal advice on how to prevent officers getting security of tenure and the right to buy under the new arrangements where they will receive a housing allowance but pay rent. This advice will certainly need to be shown to Treasury Solicitors, and depending on what they say, it may need to go to the Law Officers.

Conclusion

15. At the moment we are conducting a holding operation pending the advice of the Law Officers and its consideration by E(PSP). We understand that the Law Officers have sent the case to John Laws (Treasury Counsel) for advice and that they will probably respond in a week or so. In the meantime we need to prevent the Home Departments making any damaging concessions. A draft letter is attached.

16. HE and Superannuation are content.



JONATHAN de BERKER

ENC

CONFIDENTIAL

TABLE: ANNUAL INCREASE IN ALTERNATIVE UPGRADING MECHANISMS FOR POLICE RENT ALLOWANCE

| | RPI all items | RPI Housing component | Rent allowance in England and Wales | |
|---------------|------------------|--------------------------|--|----------------|
| | | | highest rate | lowest rate |
| | % | % | % | % |
| Dec 1979 | 17.2 | 19.8 | n/a | n/a |
| 80 | 15.1 | 29.4 | 20.7 | 25.4 |
| 81 | 12.0 | 22.1 | 25.2 | 21.8 |
| 82 | 5.4 | -0.6 | 0 | 11.1 |
| 83 | 5.3 | 9.4 | 7.1 | 16.4 |
| 84 | 4.6 | 9.1 | 13.4 | 1.5 |
| 85 | 5.7 | 11.0 | 1.8 | 14.4 |
| 86 | 3.7 | 8.5 | 13.5 | 12.5 |
| 87 | 3.7 | 4.2 | 16.7 | 5.3 |
| 88 | 6.8 | 17.9 | 12.4 | 3.1 |
| (forecast) 89 | (6.8) | (14.8) | June 16.3 | n/a |

CONFIDENTIAL

CONFIDENTIAL

DRAFT LETTER FROM: CHIEF SECRETARY

TO: MR HURD

COPIES: Prime Minister, other members of
E(PSP), Malcolm Rifkind, Tom King,
Patrick Mayhew and to Sir Robin
Butler

POLICE RENT ALLOWANCE

1. Thank you for your letter of 25 May. I understand that the Police Negotiating Board (PNB) working party will be meeting on Thursday and again next Monday.

2. In my letter of 25 April I asked Malcolm to reserve his position and not to make interim payments of rent allowance in Scotland at 31 March levels (ie including reimbursement for rates). I also asked that our position be reserved if the PAT's "clarification" on rent reviews favoured the staff side as it clearly does. I appreciate that Home Department representatives will come under considerable pressure but these issues cannot be settled satisfactorily until they have been considered by E(PSP) in the light of the Law Officers' advice.

3. As to the indexation of rent allowance, if we have to do it biennial uprating is better than annual uprating, but I have reservations as to whether the housing costs element of the RPI will be appreciably cheaper than the present mechanism. Notwithstanding the view of the PAT that the uprating mechanism should be based on housing costs I should prefer the all items RPI

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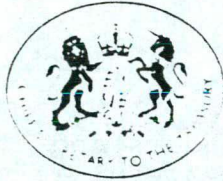
which is less volatile and has shown smaller increases. In any event, costings will be needed before E(PSP) comes to a decision on this.

4. I must also ask that when discussing the proposal to phase out compensatory grant and make the new housing allowance pensionable ^{it is made clear} that there can be no question of waiving employees contributions. ^{Moreover} ~~and that~~ in view of the amount of money at stake, any costings ^{must be} ~~are~~ approved by the Government Actuary's Department.

5. Lastly, I agree with you that it is important that we do not inadvertently give officers in provided accommodation security of tenure or the right to buy as a result of the new arrangements for housing allowance. I understand that you are taking legal advice on this. I should be grateful if my officials could see this when it becomes available.

6. I am copying this to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King, Patrick Mayhew, and to Sir Robin Butler.

CONFIDENTIAL

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Treasury Chambers, Parliament Street, SW1

cc:
 Chancellor
 Sir Peter Middleton
 Dame Anne Mueller
 Mr Anson
 Mr Monck
 Mr Phillips
 Mr C W Kelly
 Mrs Case
 Mrs Lomax
 Ms Young
 Mr de Berker
 Mr Mortimer
 Mr White
 Mr Brooke

The Rt Hon Douglas Hurd CBE MP
 Home Secretary
 Home Office
 50 Queen Anne's Gate
 London
 SW1H 9AT

on BF?
 mp
 22 June 1989

Dear Home Secretary,

POLICE RENT ALLOWANCE

Thank you for your letter of 25 May. I understand that the Police Negotiating Board (PNB) working party are meeting today and again next Monday.

In my letter of 25 April I asked Malcolm to reserve his position and not to make interim payments of rent allowance in Scotland at 31 March levels (ie including reimbursement for rates). I also asked that our position be reserved if the PAT's "clarification" on rent reviews favoured the staff side as it clearly does. I appreciate that Home Department representatives will come under considerable pressure but these issues cannot be settled satisfactorily until they have been considered by E(PSP) in the light of the Law Officers' advice.

As to the indexation of rent allowance, if we have to do it, biennial uprating is better than annual uprating, but I have reservations as to whether the housing costs element of the RPI will be appreciably cheaper than the present mechanism. Notwithstanding the view of the PAT that the uprating mechanism should be based on housing costs I should prefer the all items RPI which is less volatile and has shown smaller increases. In any event, costings will be needed before E(PSP) comes to a decision on this.

I must also ask that when discussing the proposal to phase out compensatory grant and make the new housing allowance pensionable it is made clear that there can be no question of waiving employees contributions. Moreover in view of the amount of money at stake, any costings must be approved by the Government Actuary's Department.

CONFIDENTIAL

Lastly, I agree with you that it is important that we do not inadvertently give officers in provided accommodation security of tenure or the right to buy as a result of the new arrangements for housing allowance. I understand that you are taking legal advice on this. I should be grateful if my officials could see this when it becomes available.

I am copying this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King, Patrick Mayhew, and to Sir Robin Butler.

Yours sincerely,

P. Wainwright

JOHN MAJOR

[Approved by the Chief Secretary and signed in his absence]



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QUEEN ANNE'S GATE LONDON SW1H 9AT

4 July 1989

27
BF 13/7

Dear John,

POLICE RENT ALLOWANCE

Thank you for your letter of 22 June.

The Police Negotiating Board (PNB) working party on rent allowance had further meetings on 22 and 26 June to prepare the ground for negotiation in the relevant Committee of the PNB, which is due to meet on 25 July.

The two Sides have agreed on the methodology for calculating the new housing allowance by force, on the personal protection arrangements (described by the Police Arbitration Tribunal as "red circling") for officers in receipt of rent allowance immediately before the new arrangements come into force, and on the principle that the new arrangements for officers in provided accommodation should not give security of tenure or the right to buy.

They have also agreed that the Tribunal's "clarification" on rent reviews should be applied to forces in England and Wales, as well as to forces in Scotland. Figures produced for the Official Side showed, surprisingly, that this would, in fact, be cheaper for most police authorities than if there had been no change in the timing of the normal review cycle (this is because only the former "rent" element would be updated; the rates element would be unaffected). Our position is of course reserved on the application of the "clarification" to Scottish forces and the matter will clearly need further consideration in the light of the Law Officers' advice.

No agreement could be reached on the frequency of future updating. The Staff Side wanted annual updating; the Official Side wished to keep the present biennial arrangements. This has therefore been left for further negotiation.

The identification of a suitable index for future updating is presenting difficulties. Although the general RPI would have been the most suitable in terms of historic costs, the arbitrators specifically recommended that the index chosen should be directly related to housing costs and we cannot expect the PNB to depart from that recommendation.

The Staff Side's preference is for the Halifax Building Society's index of house prices, which reflects regional variations - and showed a national increase of 80% during the period 1983-88, compared with the 54% produced by the housing element of the RPI. Unfortunately the local

authority members on the Official Side agree with the Staff Side that the index chosen should apply with regional variations. These are not available with the housing element of the RPI. That on its own is therefore ruled out as far as they are concerned.

The Staff Side are, however, prepared to discuss the possibility of negotiating a formula which combines the figures produced by the Halifax with those produced by the housing element of the RPI. The Official Side are concerned at the potential costs of such a formula. They have, therefore, proposed that the updating formula should have regard to a third index - the Association of British Insurers' House Rebuilding Cost Index, which produced an increase of only 32.2% over the period 1983-88. Further discussions on this have been remitted to technical experts, whose conclusions will be available to the PNB on 25 July.

One of the problems with seeking to identify a suitable index, or combination of indices, for future updating is that the only guide is the way in which the various indices have performed in recent years. Performance during a period of unusually rapid increases in house prices and housing costs does not necessarily provide a reliable guide to future performance if house prices stabilise, or even start to fall. They seem to be doing just that at present. It would be helpful to know whether you or Nicholas Ridley can offer any advice on what our objective here should be in the light of the way in which the various indices of house prices and housing costs can be expected to perform over, say, the next five years. It would be unfortunate if we were to make the wrong decision now through being swayed too much by past performance.

The problems involved in giving effect to the arbitrators' recommendation that the savings from abolishing compensatory grant should be used to make part of the new housing allowance pensionable are extremely complex. They have been remitted to a technical sub-group for preliminary consideration and this issue has not been considered by the working party. The only development is that the Staff Side have stated firmly that they are not prepared to negotiate any agreement which involves the payment of increased pensions contributions by police officers. The prospects of the PNB negotiating an agreement which would be acceptable to us are clearly remote so long as the Staff Side maintain this stance. I agree that we should need the views of the Government Actuary's Department before giving approval to any agreement which may eventually emerge.

As to officers in provided accommodation, the Official Side believe that the only way of giving effect to the Tribunal's recommendation without creating secure tenancies and so conferring the right to buy would be to amend Schedule 1 to the Housing Act 1985. Since the PNB is in no position to deliver amendments to primary legislation, the Official Side take the view that the two Sides should agree not to give effect to this recommendation and retain the status quo. Although they agree in principle that officers in provided accommodation should not be given the right to buy, the Staff Side are reluctant to abandon this recommendation. They have suggested that officers should be required to sign a contract waiving their rights to security of tenure or to buy. Both Sides have agreed to seek further legal advice.

I am copying this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King, Patrick Mayhew and Sir Robin Butler.

Lower,

Douglas.

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

FROM: MR J P de BERKER (PAY1)
DATE: 14 JULY 1989
ext: 5605

PS/CHANCELLOR

cc: PS/Chief Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr C W Kelly
Mrs Case
Ms Young
Mr Mortimer
Mr Brook

WLS

POLICE RENT ALLOWANCE

I understand from Miss Wheldon that the English and Scottish Law Officers are meeting to consider the case next Wednesday or Thursday, so we should have an opinion early the following week.

2. Their deliberations will be based on advice from Treasury Counsel (John Laws). I attended a meeting in his chambers last week where the consensus was that the doctrine of legitimate expectations did not fetter Ministers' discretion to make regulations where these were subject to Parliamentary process (regulations on police pay and conditions are made by Negative Resolution). I do not know whether the Law Officers will take the same view but the signs are hopeful.

Jonathan de Berker

JONATHAN de BERKER

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



FROM: D I SPARKES
DATE: 17 July 1989

BF 4/8.
[J de B to submit]

MR J P de BERKER (PAY1)

POLICE RENT ALLOWANCE

The Chancellor was grateful for and has noted the contents of your minute of 14 July concerning the forthcoming legal opinions on Police rent allowance.

A handwritten signature in black ink, appearing to be "D.I. Sparkes".

DUNCAN SPARKES



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| REC. | 17 JUL 1989 |
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✓17/7 QUEEN ANNE'S GATE LONDON SW1H 9AT

17 July 1989

BF 25/7

Dear John,

✓

POLICE PAY

The Police Negotiating Board (PNB) will be meeting on 25 July to negotiate this year's police pay settlement.

As you know, under the Edmund-Davies formula increases in police pay are based on the May figure in the underlying index of movements in average earnings, which has just been announced as 9.25%.

I recognise that pay awards of this size are unwelcome in the present climate. But the Government is committed to the use of the Edmund-Davies formula and the commitment was explicitly renewed at the last General Election. I therefore propose that my officials should raise no objection to the PNB settling on the basis of the May figure in the underlying index. My position would, of course, be reserved on anything higher.

It is possible that, as was standard practice up to 1987, the local authority associations will press the Home Departments' representatives for an enhancement of block grant provision to enable them to meet the costs of the award. Such enhancements were conceded up to 1985, but in 1986 and 1987 they were refused and last year the matter was not raised. Since police authorities in England and Wales are now almost all recruiting up to their full establishments, I can see no reason for any concession should the matter be raised this year. I propose to instruct my officials accordingly.

As to the pay of chief police officers, you will recall that we refused to give effect to part of the settlement negotiated by the PNB last year. We rejected improvements in the pay structure of the most senior ranks of the Metropolitan Police and the provision which had been made for the payment with effect from 1 January 1989 of an additional 2.5% to chief police officers with three years' service in their existing rank. An increase of 8.5% for all chief police officers was imposed.

At a meeting on 12 June, the Staff Side presented a claim for the improvements in the pay structure of the Metropolitan Police and the RUC to be implemented before the start of this year's pay negotiations. When the Official Side refused to consider the claim in isolation, the Staff Side referred the issue to arbitration.

The PNB's constitution requires the Chairman to attempt conciliation before any claim is referred to arbitration. This produced a proposal that there should be no pay adjustment before 1 September but that the improvement agreed last year should be deemed to have taken effect on 31 August, so that any pay settlement dating from 1 September would be calculated on the basis of the notional higher pay rates. Both sides undertook to recommend the proposal to their members, with the position of the Secretaries of State being reserved. At a meeting of the Official Side on 10 July, the Secretary was authorised to negotiate a settlement on this basis, to clear the way for the main negotiations on chief officers' pay on 25 July.

The effect of the adjustment would be to give 22 members of the Metropolitan Police and five members of the RUC increases of 3.2% on top of this year's pay settlement. The costs (£28,000 for the Metropolitan Police and £7,000 for the RUC) would be insignificant: 0.03% of the pay bill for chief police officers. The Official Side Secretary believes, however, that it holds the key to this year's pay negotiations. If the Home Departments' representatives can confirm on 25 July that the Secretaries of State would be prepared to give effect to it, the Staff Side are likely to be prepared to negotiate a settlement at the same level as the settlement for the rest of the police service. If not, they will probably insist on a further job evaluation review, which would almost certainly provide them with grounds for seeking a higher settlement.

Looked at purely in terms of the police service, it would be sensible now to approve these minor adjustments to the pay of the most senior ranks of the Metropolitan Police. They could be justified as reflecting the increased levels of responsibility arising from the reorganisation of the force, which resulted in the abolition of 22 chief officer posts. But I recognise that from a wider perspective an additional 3.2% on top of an already high increase of about 9.25% - even though it is for a tiny handful of officers - would be an unwelcome signal to send to the rest of the public sector and more generally at a time when we are arguing that pay increases must be moderated as part of the battle to reduce inflation. Refusal is likely to provoke a row with the Association of Chief Police Officers. They may seek to put the case to arbitration, or even conceivably to find some way (e.g. by seeking judicial review of a refusal of the claim) of testing the issue in the courts. Nonetheless, my inclination is not to approve the 3.2% increase at present. But Tom King is also affected, and obviously I should like to know his views before reaching a final conclusion on the Metropolitan Police posts.

Copies of this letter go to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King and Sir Robin Butler.

Yours,
Dwyer.

FROM: MS E I YOUNG (PAY 1)
DATE: 20 July 1989
ext: 4559

1. MR KELLY ^{20.7}
2. CHIEF SECRETARY

cc: Chancellor 14/2
Paymaster General
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Mrs Lomax
Mr Mortimer
Mr de Berker o/r
Mr Brook
Mrs Chaplin

imp

POLICE PAY

Mr Hurd wrote to you on 17 July about the line that his officials should take at the meeting of the Police Negotiating Board (PNB) on 25 July. Mr Hurd proposes that they should raise no objection to the PNB settling on the basis of the May figure in the underlying index of movements in average earnings (just announced as 9.25%), but reserve their position on anything higher. Mr Hurd also proposes to resist "at present" a proposed further increase of 3.2% for a number of chief police officers.

Background

2. The question of the pay of chief police officers has been in dispute since last year when Mr Hurd decided to overturn an agreement reached in the PNB which would have given certain chief police officers an extra 2.5% over and above the 8.5% awarded to the police generally. An increase of 8.5% for all chief police officers was imposed. In June the Staff Side presented a claim for improvements in the pay structure of the Metropolitan Police and the RUC to be implemented before this year's negotiations. The effect of this would be to restore for certain chief officers what the Government rejected last year. The Staff Side then referred the issue to arbitration, but, under the PNB's constitution, its chairman is required to attempt conciliation

before any claim is referred to arbitration. This has produced a proposal which would give 22 members of the Metropolitan Police and 5 members of the RUC increases of 3.2% on top of this year's pay settlement. Both the Official and the Staff Side have undertaken to recommend the proposal, but the position of the Secretaries of State has been reserved.

3. Last year's RSG settlement assumed an 8 per cent increase in police pay in 1989-90. A 9.25 per cent settlement would involve expenditure of about £12.5 million above provision in 1989-90. The position report already reflects local authority budgets for 1989-90 so this additional expenditure has effectively been taken into account as a claim on the Reserve.

4. In this year's Survey Home Office bids for police currently assume a 9 per cent pay award in 1989-90. An additional $\frac{1}{4}$ per cent on that assumption is equivalent to roughly £2.5 million in specific grant in each of the Survey years (£5 million in expenditure terms). The Home Secretary is likely to submit additional bids for this amount if the award is approved.

Argument

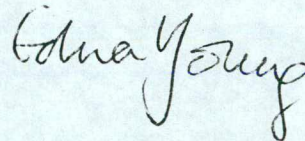
5. An increase of 9.25% in general police pay is, as Mr Hurd himself recognises, unwelcome in the present climate. Given the Government's commitment to the use of the Edmund-Davies formula, it is, however, difficult to resist Mr Hurd's proposal that the PNB should settle on the basis of this figure. But it would be worth reiterating the need to resist any higher figure.

6. An overall increase of 12.45% for some chief officers, even if only 27 officers are affected, would send quite the wrong signal and would be particularly damaging in present circumstances. Mr Hurd's intention to resist the proposal is welcome, but may need bolstering: his letter indicates only an "inclination not to approve this at present."

Recommendation

7. I therefore recommend that you endorse the line which Mr Hurd proposes to take. I attach a draft reply. I understand that Mr Ridley may write in similar terms, in view of the implications for local authority expenditure. DE officials are advising Mr Fowler to respond in order to stress the importance of resisting the additional award for chief officers.

8. HE are content with what is proposed.



EDNA YOUNG

enc

DRAFT LETTER FROM CHIEF SECRETARY TO :

The Rt Hon Douglas Hurd CBE MP
Home Office
Queen Anne's Gate
LONDON SW1H 9AT

POLICE PAY

Thank you for your letter of 17 July.

2. In view of our commitment to the Edmund-Davies formula, I recognise that we have no choice but to accept a settlement on the basis of the May figure in the underlying index. But it is important that we resist any higher figure. The wider effects of a settlement higher than an already generous 9.25% could be very serious.

3. As regards chief police officers, I welcome your intention not to approve the further increase of 3.2% on top of this year's settlements. I hope that Tom King will feel able to support you. It is important that we hold the line we took last year in cutting back the unrealistically high award for chief officers agreed in the Police Negotiating Board. Excessive pay increases, particularly for senior ranks, would be bound to raise expectations first in the lower ranks of the police, but also elsewhere in the public service and in the economy as a whole.

pay1.ld/Young/20.7.006

4. I am copying this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind and Tom King, and to Sir Robin Butler.

[J.M]



CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

mmp

The Rt Hon Douglas Hurd MP
Home Office
Queen Anne's Gate
LONDON
SW1

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| CH/EXCHEQUER | |
| REC. | 25 JUL 1989 |
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My ref:
Your ref:

21 July 1989

Dear Home Secretary

POLICE PAY

Thank you for copying to me your letter of 17 July to John Major about this year's police pay settlement.

You are, of course, well aware of my opinion of the merits of the Edmund-Davies formula, and the 9.25% figure it has produced this year merely serves to reinforce my view that we really must find an alternative method of determining police pay.

On the points raised in your letter, I agree that there is no reason to concede any enhancement of block grant provision for which the local authority associations might press for this year. As you will know the proposals for next year envisage an increase of only 3.8% in total standard spending, and every Government imposed settlement over this figure, will make it more difficult to achieve a satisfactory distribution of the total between services. I also support very strongly your inclination not to approve an increase of 3.2%, on top of the 9.25%, for certain senior officers in the Metropolitan Police and the RUC. Even though the numbers involved are small, such an increase in the present climate would be completely the wrong signal to send to the rest of the public sector.

I am copying this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Tom King and Sir Robin Butler.

NICHOLAS RIDLEY

PP NICHOLAS RIDLEY

(Approved by the Secretary of State
and Signed in his Absence)

UNCLASSIFIED



amp

cc:
Chancellor *2*
PMG
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Mrs Lomax
Mr Mortimer
Mr de Berker
Mr C W Kelly
Ms E I Young
Mr Brooke
Mrs Chaplin

Treasury Chambers, Parliament Street, SW1P

The Rt Hon Douglas Hurd CBE MP
Home Secretary
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

24 July 1989

Dear Home Secretary,

POLICE PAY

Thank you for your letter of 17 July.

In view of our commitment to the Edmund-Davies formula, I agree that we should accept a settlement on the basis of the May figure in the underlying index. But it is important that we resist any higher figure. The wider effects of a settlement higher than an already generous 9.25 per cent could be very serious.

As regards chief police officers, I strongly support your intention not to approve the further increase of 3.2 per cent on top of this year's settlements. It is very important that Tom King supports this line. It is important also that we hold the line we took last year in cutting back the unrealistically high award for chief officers agreed in the Police Negotiating Board. Excessive pay increases, particularly for senior ranks, would be bound to raise expectations first in the lower ranks of the police, but also elsewhere in the public service and in the economy as a whole.

I am copying this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind and Tom King, and to Sir Robin Butler.

Yours sincerely,

P. Walker

PP JOHN MAJOR

[Approved by the Chief Secretary and signed in his absence.]



NORTHERN IRELAND OFFICE

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mmp

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Douglas Hurd MP
Home Secretary
Queen Anne's Gate
LONDON

| CH/EXCHEQUER | |
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| REC. | 28 JUL 1989 |
| ACTION | CST |
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✓ 28/7

26

July 1989

Dear Home Secretary
POLICE PAY

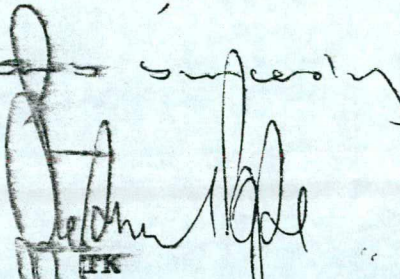
Thank you for sight of your letter of 17 July to John Major, setting out your proposals for dealing with this year's police pay negotiations, including the claim for regrading senior posts in the Metropolitan Police.

As you know the pay scales of Chief Constable and Deputy Chief Constable of the RUC are linked to that of the Deputy Commissioner of the Metropolitan Police. The claims for increases of 3.2% on these scales is therefore purely consequential, and is not related to any change in responsibilities.

The Senior Assistant Chief Constable grade is determined by reference to the national scale for Assistant Chief Constable. We have not so far established any link with Metropolitan Police scales. I am not aware of any significant increase in responsibilities of these posts since their establishment five years ago. It would seem that the only evidence of this is the somewhat dubious outcome of the HAY-MSL job evaluation exercise. I therefore see no intrinsic merit in conceding a regrading of these posts.

I recognise of course that there are other considerations - our relationships with senior officers, our public stance on law and order, and the minimal costs of the proposals. Had you been minded to concede the case for the Metropolitan Police, I may have been more open to persuasion that I should follow suit. However I firmly believe that in the absence of compelling evidence of injustice, the need for a robust stand on exaggerated pay claims and the value of injecting a greater sense of realism into PNB negotiations outweigh all of these. I consider therefore that, having withheld our approval to these proposals only some 8 months ago, we should take the line that the circumstances which led us to that decision then remain unchanged.

Copies of this letter go to the Prime Minister, other members of
E(PSP), Malcolm Rifkind and Sir Robin Butler.

Yours sincerely


(Approved by the Secretary of State
and signed in his absence)