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21 May 1986

CABINET

PAY REVIEW BODY REPORTS 1986

Note by the Secretary of the Cabinet

Decisions are required on the following Pay Review Body Reports -

- a. Armed Forces Pay Review Body (AFPRB).
- b. Review Body for Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicine (NRB):
 - i. On nursing staff, midwives and health visitors.
 - ii. On professions allied to medicine (PAMs).
- c. Doctors' and Dentists' Review Body (DDRBB).
- d. Top Salaries Review Body (TSRB).

2. The numbers affected and the average percentage increases recommended are as follows -

<u>Review Body</u>	<u>Numbers</u>	<u>Average Percentage Increases</u>
<u>Armed Forces</u> (up to Brigadier and equivalent)	330,000	7.46
<u>Doctors and Dentists</u>	101,300	
- In the Hospital and Community Service	53,300	7.6
- The Family Practitioner Service	48,000	7.0
<u>Nurses, Midwives and PAMs</u>	518,190	
- Nurses, Midwives		
- Health Visitors	482,000	7.8
- Professions Allied to Medicine	36,190	8.2
<u>TSRB</u>	1,951	
- Judiciary	1,085	6.5
- Senior Armed Forces	207	6.5
- Higher Civil Service	659	6.5

The costs are summarised in Annex A. Further details of the increases are set out in Annex B.

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POLICY AND RECENT PRACTICE IN RELATION TO REVIEW BODY REPORTS

3. There is a long-standing commitment (reaffirmed when the NRB was set up in July 1983) that the Government will implement the recommendations of Review Bodies 'unless there are clear and compelling reasons for not doing so'. The AFPRB's recommendations have never been rejected by the Government but were staged in 1984. The DDRB's recommendations were abated or staged in 1981, 1982 and 1984. Last year the AFPRB's recommendations were accepted in full as from 1 April; those of the DDRB were paid in full as from 1 June; and those of the NRB and the TSRB were implemented in stages, with the full increases taking effect in February and March 1986 respectively.

PROPOSALS FOR HANDLING THE REPORTS

4. Ministers directly concerned meeting under the Prime Minister's chairmanship have considered these recommendations. They noted that, with the exception of the TSRB, the recommendations are all close to the current rate of increase in average earnings in the economy generally, and that comparatively little in the way of salary restructuring has been proposed. They therefore recommend that the Government should adopt a common approach to all the reports apart from that of the TSRB, to which separate considerations apply.

5. The Review Body recommendations are all substantially above the rate of inflation, and above the general level of current wage settlements. The costs substantially exceed the provision made within the 1986-87 cash limits, and could not be met in full from 1 April without prejudice to services. The Group of Ministers therefore recommend that the proposed increases, apart from those recommended by the TSRB, should be implemented with effect from 1 July 1986. This would reduce the average increases paid during the current financial year to slightly below 6 per cent, the level of the pay settlement currently being negotiated with non-industrial civil servants.

6. In the case of the TSRB groups, where the Government's acceptance last year of very large increases for some of the most highly paid grades was the subject of severe criticism, the Group recommend that the pay bill during the current financial year should be permitted to increase in line with the current rate of inflation, ie 3 per cent. Accordingly the average increases to be paid from 1 July would be about 4 per cent; the pattern would correspond to that recommended by the Review Body. At the same time the Group recommended that the TSRB's proposal for the introduction of additional discretionary increments above the present scales for Grades 2 and 3 (Deputy and Under Secretaries) should be implemented in the course of the current financial year. These additional increments would be awarded to a limited proportion of people in these grades, within rigorously defined criteria for sustained high performance; would be withdrawable if the recipients' relative performance ceased to merit them and would not be pensionable. The ability to award discretionary increments would also provide some flexibility for other purposes. At the same time the increments on the normal scales introduced for the first time last year would no longer be automatic for the new

entrants to these grades; while the increments would be given unless performance was below reasonable expectation, a positive decision related to continued performance would need to be taken.

7. In all cases pensions would be based on the salaries actually in payment in accordance with the principle set out in the Prime Minister's Written Answer on 13 April 1984 (OR, Col 383). Consistently with this principle, the operation of the Pensions Increase arrangements will be adjusted in the case of the armed forces to prevent the pensions of those retiring between 1 April and 30 June from falling below those who retired up to 31 March 1986. This problem does not arise in the case of other groups.

COSTS

8. With the exception of the National Health Service (NHS), all the proposed increases will be met from within existing cash limits for 1985-86. Those for the TSRB groups present no difficulty. In the case of the armed forces, where there is a Government commitment to maintaining comparability of earnings, planning already assumed that pay increases would be substantially higher than the growth of the defence budget; the effect of this is that less is available for spending elsewhere, notably one equipment, with consequential effects on defence capability. In the case of the NHS, the non-cash-limited Family Practitioner Services programme is due to be reviewed later in the year, in accordance with normal arrangements for demand-led programmes; in the event of offsetting savings not then being found, some part of the proposed increase would fall to be met in due course from the Reserve. In the case of the Health Authorities the current cash provision, even after taking into account the growing benefits of the cost improvement programme and of the faster than expected fall in inflation, would not be sufficient - against the background of rising demographic demand for services - to meet the costs of implementing the Review Body recommendations on 1 July and of pay settlements for non-Review Body staff at about the same level as for the non-industrial Civil Service, without a disruptive effect on services. The Chief Secretary, Treasury has accordingly offered, exceptionally, to provide an additional £60 million for Health Authority cash limits from the Reserve.

TIMING AND FORM OF ANNOUNCEMENT

9. It is generally understood that the reports are delivered to the Prime Minister in the course of April each year. From the standpoint of the services concerned, there is a clear advantage in announcing decisions on pay increases as soon as possible. The Ministers who met under the Prime Minister's chairmanship therefore recommend that, if the Cabinet are able to reach decisions on 22 May, all the reports should be published that afternoon, and that the Prime Minister should simultaneously announce the Government's decisions on them by Written Answer, as in recent years. A draft Written Answer, in line with the recommendations set out above, is attached at Annex C.

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PRESENTATION

10 The Group of Ministers noted the particular importance of ensuring that the Government's decisions are effectively presented and explained. It is envisaged that the departmental Ministers concerned will make appropriate arrangements to brief representatives of the Government's supporters in the House of Commons, and that the Chancellor of the Exchequer should write to all Members of Parliament placing the Government's decisions in their context. This letter, a draft of which is attached at Annex D, would be available in the Vote Office and the Whips' Office at the time of publication of the Prime Minister's statement.

ISSUES FOR THE CABINET

11. The Cabinet is invited to consider -

- a. The proposals for handling the 1986 Pay Review Body Reports set out above.
- b. Depending on the decisions reached on those proposals, the draft Written Answer and letter from the Chancellor of the Exchequer at Annexes C and D for issue on the afternoon of 22 May.

Signed ROBERT ARMSTRONG

Cabinet Office

21 May 1986

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Pay Review Body Reports 1986Examples of Proposed Increases

ARMED FORCES PAY REVIEW BODY (AFPRB)

Individual increases range from 5.5 to 9.5 per cent. The number affected is 323,000.

2. Increases for selected ranks are:

	Current	Proposed	Percentage Increase
Brigadier and equivalent	29,401	32,160	9.4
Major and equivalent	15,443-18,509	16,721-20,049	8.3
Sergeant and equivalent	9,088-10,939	9,793-11,793	7.6-7.8
Private I and equivalent	6,344-8,026	6,811-8,625	7.4-7.5
Private IV	5,000	5,274	5.5

REVIEW BODY FOR NURSING STAFF, MIDWIVES, HEALTH VISITORS
AND PROFESSIONS ALLIED TO MEDICINE (NRB)

- a. NRB recommendations for nursing staff, midwives
and health visitors

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3. The number affected is some 487,000. Individual increases range from 5.4 to 8.0 per cent.

4. Increases for selected grades are:

	Current	Proposed	Percentage Increase
Regional Nursing Officer (RI)	21,520-27,550	23,240-29,750	8.0
District Nursing Officer (England) (DHAI(T))	21,060-26-580	22,745-28,705	8.0
Nursing Sister II	7,480-10,000	8,070-10,800	8.0
Staff Nurse/Staff Midwife	6,000-7,175	6,475-7,750	8.0
Nursing Auxiliary/Assistant (age 18 or over)	3,950-5,120	4,265-5,525	8.0
Nursing Cadet/Student Nurse	3,680-4,945	3,880-5,290	5.4-7.0

b. NRB recommendations for professions allied to medicine (PAMs)

5. The number affected is some 38,000. Individual increases range from 6.5 to 8.0 per cent.

6. Increases for selected grades are:

	Current	Proposed	Percentage Increase
District I Physiotherapist etc Basic Grade	14,880-15,410	16,075-16,645	8.0
Trainee Remedial Gymnast	6,200- 7,450	6,695- 8,045	8.0
	5,300	5,645	6.5

DOCTORS AND DENTISTS REVIEW BODY (DDRB)

7. The total number affected is some 101,000; of these 56,000 are in the hospital and community health service and 45,000 in the family practitioner service. Individual increases range from 6.8 to 9.6 per cent.

8. Increases for selected grades are

	Current	Proposed	Percentage Increase
Consultant	21,460-27,700	23,500-30,340	9.5
General medical practitioner (intended average net remuneration after practice expenses)	23,440	25,080	7.0
General dental practitioner (target average net income)	20,280	21,700	7.0
Registrar	10,760-13,030	11,510-13,950	7.0
House Officer	7,610- 8,590	8,140-9,180	6.9

TOP SALARIES REVIEW BODY (TSRB) ON HIGHER CIVIL SERVICE, SENIOR SERVICE OFFICERS AND THE JUDICIARY

9. The numbers affected are some 660 higher civil servants of Under Secretary rank and above; 206 senior armed forces of the rank of Major General (and equivalent) and above; and 1,084 members of the judiciary. Individual increases range from 5.3 to 7.3 per cent.

10. Increases for selected grades are:

	Current	Proposed	Percentage Increase
Permanent Secretgary/General and equivalent	60,000	63,500	5.8
Deputy Secretary (after one year's service)/Lieutenant General and equivalent	42,000	44,500	6.0
Under Secretary (after two years' service) Major General and equivalent	34,000	36.250	6.6
Lord Chief Justice	75,000	79,000	5.3
High Court Judge	60,000	63,500	5.8
Circuit Judge	40,000	42,500	6.2

1986 REVIEW BODY REPORTS

<u>Review Body</u>	<u>GB Cost of Recommendations (£m)(a)</u>	<u>Numbers covered</u>	<u>Increase in paybill (%)</u>	<u>Range of increases (b) (%)</u>
Armed Forces	233.6 (c)	323,000	7.46	5.5 to 9.5
Nurses	280.8	482,000	7.8	5.4 to 8.0
Professions Allied to Medicine	26.2	36,190	8.2	6.5 to 8.0
Doctors and Dentists:				
(a) Hospital Service	89.0	53,300	)	6.8 to 9.6
(b) Family Practitioner Service	72.0	48,000	) 7.6	7.0
Total	<u>161.0</u>	<u>101,300</u>		
TSRB	4.9	1,951	6.5	5.33 to 7.38
	<u>706.5</u>	<u>946,641</u>		
NHS NICs and Superannuation (see footnote a)	<u>73.0</u>			
Total	<u>779.5</u>			

Notes

- (a) Costs taken from Review Body reports. The Nurses, PAMs and Doctors/Dentists costings exclude employer NICs and superannuation. The approximate cost (Treasury estimates) of including them are:

	<u>NICs/Superannuation</u>	<u>Total</u>
Nurses	45	325
PAMs	4	30
Doctors and Dentists	24	185

- (b) Increases for armed forces, nurses, PAMs, doctors and dentists are weighted in favour of the higher paid grades, who receive the highest percentage increases. The TSRB recommendations are weighted towards the lower paid grades within the groups covered with the largest percentage increases recommended for Under Secretaries and the lower judiciary. [Paybill increase for PAMs exceeds range because the range refers to basic salaries, whilst some are large (up to 30%) increases in allowances recommended.]
- (c) Gross cost of recommendations. Recommended increased changes of £16.2m give a net cost of £217.4m.
- (d) Defence Budget (cash-limited) £18,525m
 Hospital and Community Health Services (cash-limited) £12,414m (GB)
 Family Practitioner Services (non-cash-limited) £4,045m (GB).

REVIEW BODIES 1986

DRAFT WRITTEN REPLY FOR PRIME MINISTER

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

2. The reports recommend pay increases from 1 April 1986 which it is estimated would increase the 1986-87 pay bill for nurses, midwives and health visitors by 7.8 per cent, that for the professions allied to medicine by 8.2 per cent, that for doctors and dentists by 7.6 per cent, that for the armed forces by 7.5 per cent, and that for senior grades of the higher Civil Service, senior officers in the armed forces and the judiciary by 6.5 per cent. These figures are all very substantially above the rate of inflation, and above the general level of current wage settlements.

3. The Government have nevertheless decided that the increases recommended by the Review Bodies, with the exception of those recommended by the Top Salaries Review Body, should be implemented in full; but having regard to the sums involved, with effect from 1 July 1986. The resulting increases in the pay bills concerned in 1986-87 will average a little under 6 per cent, and this year's costs will be generally met from within existing public expenditure plans.

4. This year the Hospital and Community Health Services (HCHS) programme will benefit from lower inflation, which has already fallen well below the 4.5 per cent expected when the planning total was agreed; and it will also have resources available from planned cost improvements. Nevertheless the Government recognise that implementation as proposed might adversely affect services to patients, and have therefore decided, exceptionally, to provide an extra £60 million for health authority cash limits from within the total of planned public expenditure this year.

5. The Top Salaries Review Body (TSRB) last year carried out a major review of the remuneration of those covered by their remit, as a result of which they recommended increases, some of them substantial, in the salaries of those concerned. The recommended salaries have been fully in effect since 1 March 1986. This year the Government have decided that the TSRB's recommendations should be scaled down to an average 4 per cent to take effect from 1 July 1986, thus keeping the effective increase in the pay of this group in 1986-87 in line with inflation, that is 3 per cent. In addition the Government have decided in principle to accept the recommendations, first put forward by the TSRB last year, for discretionary pay at Civil Service Grades 2 and 3, as part of the arrangements for strengthening the link between pay and performance at these levels. A fuller account of these proposals is being sent to staff interests, with whom there will be consultation.

6. Details are as follows:

	<u>Recommendation</u>		<u>Average Effective Percentage Increase in 1986-87</u>	<u>Estimated Cost (£m)*</u>	
	<u>Average</u>	<u>Range</u>		<u>Recommended</u>	<u>1986-87</u>
Nurses	7.8	5.4-8.0	5.9	326	244
PAMs	8.2	6.5-8.0	6.1	30	23
DDRB	7.6	6.8-9.6	5.7	179	134
AFPRB	7.5	5.5-9.5	5.6	234	175
TSRB	6.5	5.3-7.3	3.0	5	2½

* Review Body figures, amended as necessary

Full year effects for groups other than TSRB are as recommended; for TSRB groups the full year average is 4.0 per cent and the range 3.2 per cent to 4.4 per cent.

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

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	Salaries currently in payment	Salaries effective from 1 July	Staff in post (note 1)
SENIOR GRADES OF THE HIGHER CIVIL SERVICE.			
Head of the Civil Service (and Secretary of the Cabinet)	£ 75,000	77,400	1
Permanent Secretary of the Treasury	70,000	72,400	1
Grade 1 (Permanent Secretary)	60,000	62,100	21
Grade 1A (Second Permanent Secretary)	55,000	56,800	14
Grade 2 (Deputy Secretary)			
- on promotion	40,000	41,500	) 140
- after 1 years service in the grade	42,000	43,500)
		45,500)
discretionary	)	47,825)
	)	50,150)
Grade 3 (Under Secretary)			
- on promotion	31,000	32,350	) 482
- after 1 years service in the grade	32,500	33,850)
- after 2 years service in the grade	34,000	35,350)
discretionary)	36,850)
)	38,425)
)	40,000)

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	Salaries currently in payment	Salaries effective from 1 July	Staff in Post (note 1)
SENIOR OFFICERS IN THE ARMED FORCES			
Admiral of the Fleet)		
Field Marshal	) 75,000	77,400	1
Marshal of the Royal Air Force)		
Admiral)		
General	) 60,000	62,100	19
Admiral Chief Marshal)		
Vice-Admiral)		
Lieutenant General	) 42,000	43,500	33
Air Marshal)		
Rear Admiral)		
Major General) 34,000	35,350	154
Air Vice-Marshal)		

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	Salaries currently in payment	Salaries effective from 1 July	Staff in post (note 1)
JUDICIARY			
Lord Chief Justice	75,000	77,400	1
Lords of Appeal)		
Master of the Rolls)		
Lord President of the Court of Session	) 69,000	71,400	12
Lord Chief Justice (N.Ireland))		
Lord Justice Clark)		
Lords Justice of Appeal)		
Lords Justices of Appeal (N.Ireland)	) 66,000	68,400	28
President of Family Division)		
High Court Judges)		
Judges of the Court of Session	) 60,000	62,100	102
Puisne Judges (N.Ireland))		
Chairman, Scottish Land Court and President, Lands Tribunal) (Scotland))		
Sheriffs Principal)		
Official Referees)		
Vice-Chancellor of the County Palatine of Lancaster)		
Senior Circuit Judges)		
Recorder of Liverpool)		
Recorder of Manchester)		
Recorder of Belfast)		
Chief Social Security Commiss- ioners (England, Wales and Scotland and N.Ireland)	) 44,500	46,000	30
Presidents, Industrial Tribunals (England and Wales, Scotland and N.Ireland))		
Judge Advocate General)		
President Social Security Appeal Tribunals and Medical Appeal Tribunals (England, Wales and Scotland))		
Chairman, Criminal Injuries Compensation Board.)		

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	Salaries currently in payment	Salaries effective from 1 July	Staff in post (note 1)
Presidents, Lands Tribunal (England and Wales and N.Ireland)(note 2)	40,000	46,000	1
Circuit Judges)			
Sheriffs)			
County Court Judges (N.Ireland))			
Social Security Commissioners)			
(England, Wales and Scotland)			
and N.Ireland))			
Registrar of Criminal Appeals)			
Chief Metropolitan Magistrate)			
Senior and Chief Masters and)			
Registrars)			
Master, Court of Protection)			
Chairman, Foreign Compensation)			
Commission)			
Regional Chairmen, Industrial) 40,000		41,500	507
Tribunals (England and Wales)			
and Scotland))			
Judge Advocate General)			
President Value-Added Tax)			
Tribunals)			
President Immigration Appeal)			
Tribunal)			
Presiding Special Commissioner)			
of Income Tax)			
President, Social Security)			
Appeals Tribunals and Medical)			
Appeals Tribunals (N.Ireland))			
Regional Chairman, Social)			
Security Appeal Tribunals and)			
Medical Appeal Tribunals)			
Members, Land Tribunals (England) and Wales, Scotland and N.Ireland) (note 2)	30,500	41,500	9

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	Salaries currently in payment £	Salaries effective from 1 July	Staff in post (note 1)
Chairmen, Industrial Tribunals (England and Wales and N.Ireland))		
Metropolitan Magistrates)		
Provincial Stipendiary Magistrates)		
Resident Magistrates (N.Ireland))		
Masters and Registrars of the Supreme Court)		
Masters of the Supreme Court (N.Ireland))		
Registrar of Civil Appeals)		
County Court Registrars and District Registrars of the High Court	) 30,500	31,850	395
Circuit Registrars (N.Ireland))		
President Pensions Appeal Tribunal)		
Vice-Presidents, Immigration Appeal Tribunal)		
Vice-President (Scotland) and Chairmen, Value-Added Tax Tribunals)		
Chairmen, Social Security Appeal Tribunals and Medical Appeal Tribunals)		
Special Commissioners of Income Tax)		

NOTES

1. At latest available date
2. Post rebanded for salary purposes

LETTER FROM THE CHANCELLOR OF THE EXCHEQUER TO MEMBERS OF PARLIAMENT

REVIEW BODY REPORTS

The Government has today announced decisions on the Reports of the Review Bodies.

Despite the marked fall in inflation to 3 per cent we have agreed to implement all the recommendations, with the exception of those made by the Top Salaries Review Body, in full, but as from 1 July. They will provide increases averaging 8.2 per cent for professions ancilliary to medicine, 7.8 per cent for nurses, and 7.6 per cent for doctors and dentists. The increase for nurses comes on top of a rise in their pay of around 25 per cent more than inflation since 1979 while the number of nurses has increased by []. This reflects the importance we attach to the National Health Service and those who work in it. For the armed forces there are increases averaging 7.5 per cent from 1 July. The addition to the paybills for 1986-87 is about 6 per cent.

But the implications of these pay awards in this financial year have to be faced. Defence will live within its budget. For health, implementation as proposed might have adversely affected services to patients and we have therefore decided, exceptionally to provide a further £60 million for health care this year from within the total of planned public expenditure.

I mentioned that we have not accepted the Top Salaries recommendation. This group last year received very substantial increases: we did not judge it necessary this year to go beyond the amount necessary broadly to maintain last year's pay levels in real terms, while also further improving the link between pay and performance. We have therefore allowed a paybill increase for 1986-87 of 3 per cent, equal to the rate of inflation, which will be secured by paying an average 4 per cent increase from 1 July. This compares with the recommended increases averaging 6.5 per cent.

Since the Review Bodies took their evidence lower inflation has dramatically increased the real value of pay increases. It would be wrong, therefore, to look at these pay increases as in any way a guide for future settlements, either here or elsewhere. In the public services, as in private firms, we have to be conscious of what can be afforded; if we are not, services and jobs will suffer.

There will be many in your constituency with an interest in these awards. I hope that this letter will help to explain the approach which, faced with the Review Body recommendations, we have decided to take.

c/l

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10 June 1986

CABINET

DISSOLUTION OF THE NORTHERN IRELAND ASSEMBLY

Memorandum by the Secretary of State for Northern Ireland

INTRODUCTION

On 9 June the Defence and Overseas Policy Committee (OD) considered my proposal that the Northern Ireland Assembly should be dissolved. This memorandum seeks the Cabinet's confirmation of the Committee's conclusions.

BACKGROUND

2. The Northern Ireland Assembly reaches the end of its four year term on 20 October. On expiry, an election will automatically follow within six weeks unless action is taken before then to dissolve it. While we wish to see a new Assembly (which would include the Social Democratic and Labour Party (SDLP)) and therefore want a new election, I believe it could be disastrous to be tied to this particular timing. The first anniversary of the Anglo-Irish Agreement will fall within the election campaign and the whole of it would be used by unionists (as they used the 15 Parliamentary by-elections) as a major event to revive what is otherwise a rather flagging campaign against the Agreement. Moreover in the build-up to this election there would be no prospect of serious talks about devolution.

3. The two unionist parties would almost certainly fight on a joint anti-Agreement ticket. The SDLP, faced with an Assembly certain to be dominated by unionists hostile to the Agreement and uninterested in constructive work, might decide not to run; or if they did run, not to sit. The Alliance Party would have grave reservations about participation. If the Ulster Unionist Party/Democratic Unionist Party (UUP/DUP) did not fight on a joint ticket and stood against each other, the prospects are, given present divisions in the UUP, that there would be substantial gains by the DUP at their expense; this would clearly make things even more difficult.

4. OD supported my proposal to dissolve the Assembly to ensure that we do not face automatic re-election later in the year. That then raises the question as to when this dissolution should take place.

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