

Top Salary Review Body reports on salaries of senior civil servants, senior members of armed forces and judges.

Policy toward next round of Review body reports

PART 3 262

ECONOMIC
POLICY

Part 1: May 1979

Part 2: July 1980

Part 3: February 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2.2.81		30.10.81					
12.2.81		6.11.81					
27.3.81		9.11.81					
30.3.81		12.11.81					
8.4.81		9.11.81					
12.4.81							
14.4.81		- ends -					
28.4.81							
2.5.81							
6.5.81							
8.5.81							
14.5.81							
15.5.81							
18.5.81							
23.9.81							
20.10.81							
20.10.81							

Material used by
official Historian
DO NOT DESTROY

PREM 19/428

Review Body on TOP SALARIES REPORT NO. 10
Filed Separately.

Review Body on ARMED FORCES PAY NO. 10

Review Body on Doctor's DEPARTMENT

REMUNERATION

NO. 11

All above filed separately

PART

3

ends:-

9. 11. 81

PART

4

begins:-

10. 11. 81

CONFIDENTIAL



C. ✓ AD
AL
JD. (1)
Prime Minister

C.F.
For folder for
PM/Ch Ex
meeting
this afternoon
M/S

MO 4/4

PRIME MINISTER

This crossed with my letter regarding
your view that you will probably not see the
Chairmen this year but will concentrate on
the evidence. ^{written} Shall I say that
you will take account

THE PAY REVIEW BODIES

I have seen Geoffrey Howe's minute to you of 30th October,
and also the minutes of E(PSP)(81)5th Meeting. Although I go
along in general with what Geoffrey says, there is one suggestion
which I think we ought to reconsider, namely that those Ministers
"most directly concerned" should meet the TSRB, DDRB and AFPRB
separately from any meeting you and Geoffrey might have with them.
This is a departure from what was done last year, and I am not
sure that it offers an improvement.

2. Quite apart from the fact that several of us have a direct
interest in the work of the TSRB, all three Review Boards report
to you, not to individual Ministers. Last year the business of
briefing the Boards on our reading of the economic and financial
background was handled by your seeing them with Geoffrey Howe
and the appropriate Departmental Ministers. This seems to me
properly to reflect the constitutional relationship between the
Boards and the Government. It also has the practical advantages
of maximizing the impact of our message and guaranteeing complete
consistency of presentation, an important point when nuances
matter and, in the case of Sir Harold Atcherley, there is over-
lapping membership of Boards. I think we were right to handle it
as we did last year, and see no reason to change our practice.
I feel strongly that we should do the same again this year.

3. I am copying this to the members of E, the Lord Chancellor,
the Secretaries of State for Scotland and Wales, and Sir Robert
Armstrong.

Oh. Now is right - but I doubt
whether the Board will carry
on if we do this
each year.
of Mr Notts views when you
finally consider decide whether
or not to see ~~them~~
the Chairmen?
M/S 13/11

Ministry of Defence
9th November 1981

CONFIDENTIAL

PRIME MINISTER

Top copy filed on:—

Defence: Defence Budget: 167

Meeting with the Chancellor : Tuesday 10 November at 1630

So far there are two issues for your regular meeting with the Chancellor, one of which is being raised by the Chancellor and one which you wish to raise:

i) Pay Review Bodies The Chancellor's minute of 30 October proposed that there would be advantage in you and he meeting Chairmen of Review Bodies, as you did before they produced their 1981 report. This would give you the opportunity to put pressure on the Chairmen, in particular to urge them to take account of the likely level of pay settlements in the economy over the coming months, and of the ease with which those on whom they report can be recruited and retained. You commented that you cannot do this year after year, and that it seemed to you more a matter of the evidence given by the Government.

ii) Public Expenditure The Chancellor wants to talk about the progress (or lack of it) in the MISC 62 discussions of public expenditure. In particular I understand that he wishes to talk over with you how best to handle the issue of defence expenditure. You may find it useful to glance at John Nott's recent minute; and at the same time at the paper by Treasury's DM Division which offers a different account from Mr. Nott about how to achieve savings on the scale required.

MUS

9 November 1981



Gen PM

10 DOWNING STREET

THE PRIME MINISTER

9 November, 1981

Confidential

My dear Lord Chief Justice,

Thank you for your letter of 9 October enclosing a copy of the memorandum submitted by yourself and the other Heads of Divisions to the Top Salaries Review Body. I understand your concern, and I am grateful to you for bringing it to my attention.

I understand that you also sent a copy to Quintin Hailsham. He will be replying to you in the near future.

Yours sincerely

Roger Thatcher

The Rt. Hon. the Lord Chief Justice of England

Rtb



10 DOWNING STREET

Clive

If you agree I will
postpone action on this letter
until next week's changes
have been made.

Yes?

MCS 6/11

ds

6 November 1981

I am writing to thank you for your letter of 5 November, which I will place before the Prime Minister.

A reply will be sent to you as soon as possible.

M SCHOLAR

Sir Harold Atcherley



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

Michael Scholar Esq
Private Secretary
10 Downing Street
London SW1

6 November 1981

Dear Michael,

Thank you for your letter of 13 October enclosing a copy of a letter from the Lord Chief Justice to the Prime Minister.

I understand that the Prime Minister is content that the Lord Chancellor should reply on her behalf and the Lord Chancellor's Department have this in hand.

I enclose a draft acknowledgement for the Prime Minister's signature.

Yours ever,

Jeremy Colman

JEREMY COLMAN
Private Secretary

Ecar A1

*cc J. Verker
C. Peterson*

DRAFT LETTER FOR THE PRIME MINISTER'S SIGNATURE TO:

The Rt Hon the Lord Chief Justice of England

Thank you for your letter of 9 October enclosing a copy of the memorandum submitted by yourself and the other Heads of Divisions to the Top Salaries Review Body. I understand your concern, and I am grateful to you for bringing it to my attention.

I understand that you also sent a copy to Quintin Hailsham. He will be replying to you in the near future.

CONFIDENTIAL

cc Mr. Hoskyns ✓

MR. SCHOLAR

Pay Review Bodies

You asked for my advice on the proposal in paragraph 4 of the Chancellor's note of 30 October to the effect that sponsor Ministers should meet the Review Bodies to re-inforce the written evidence, and that the Chancellor and the Prime Minister should see the Review Body Chairmen separately.

I think it must be up to each sponsor Minister to decide whether he sees advantage in backing up his own department's evidence to the Review Bodies. I understand that Mr. Nott has already indicated he is not keen. The Prime Minister will recall that last year she saw each Review Body Chairman separately, accompanied by both the Chancellor and the sponsor Minister concerned. I think that would be the right formula this year also. The Treasury and the Cabinet Office agree.

J.

5 November 1981

CONFIDENTIAL

CONFIDENTIAL

Prime Minister

1

MR SCHOLAR

Content for me to write as

at X? **Yes**

cc Mr. Hoskyns

The Pay Review Bodies

Agree that the review bodies should be allowed to report in the usual way?

Yes

You asked for my comments on the Chancellor's minute of 30 October, which was seen by the Prime Minister over the weekend.

Agree to meeting the review bodies Chairman with the Chancellor, as proposed at Y in para 4 of

I think this minute requires a reply. The pay review bodies report to the Prime Minister, and in a sense she is directly responsible for them; the Chancellor is reporting to her, as he is required to do, the conclusions of the Ministerial sub-committee on public service pay, and the Prime Minister now needs to indicate:-

- a) Whether she agrees that all three review bodies should be allowed to report in the usual way; and
- b) Whether there should be a review by officials on the scope for modifying the Government's commitment to comparability between Service and civilian pay.

May I speak to the Chancellor's minute? MS 6/11 about them. We cannot do it.

As the Prime Minister knows, I have long argued that the review bodies are a hangover from the era of comparability, and that their continued operation threatens our market based approach to public service pay. But the Ministerial sub-committee was presented with cogent evidence of the difficulty of replacing them, and if the Chancellor himself is not prepared to recommend their suspension or abolition, then I think we must accept that they will be allowed to report in the usual way this year. The Prime Minister at an earlier stage commented that she hoped their terms of reference could be amended to ensure that they took more account of, for instance, market forces and the national interest; officials examined this carefully, but concluded that - apart from submitting evidence to them in the usual way, and from talking privately to the review bodies chairmen, - there was no means of

It seems to me more a matter of... evidence... that just... just... not

/influencing

CONFIDENTIAL

CONFIDENTIAL

-2-

influencing their recommendations in this way. So I think that it would be right for the Prime Minister to agree that they should report this year, but that she should make it absolutely clear that this is without prejudice to whatever decisions Ministers might take on the implementation of the reports.

The proposal that officials should look at the scope for modifying the commitment on armed forces pay is unlikely to lead to more than a report recommending no change unless there is a clear indication from Ministers that they are prepared to look at this afresh. I hope to participate in the official group; it would greatly increase the likelihood of that work being useful if you were able to say, in your Private Secretary letter responding to this minute, that the Prime Minister agrees that the time has now come to look again at the way in which the Government's commitment to armed forces pay might cover recruitment and retention factors.

J.

3 November 1981

CONFIDENTIAL

CONFIDENTIAL

Prime Minister to see.

J AD
JV



N.P.G. Mitchell
Duty Clerk
31/10/81

TSRB H 3

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

THE PAY REVIEW BODIES

The Sub-Committee on Public Service Pay (E(PSP)) discussed on 27 October what the Government's attitude should be to the pay review bodies in the present pay round. All three review bodies - the Armed Forces Pay Review Body (AFPRB), Top Salaries Review Body (TSRB) and the Doctors and Dentists Review Body (DDR) - are due to report in April and are likely to recommend increases above 4 per cent perhaps substantially so. The Sub-Committee therefore considered whether there was any way in which, by action now, we could reduce the likelihood of having to take embarrassing or contentious decisions in April.

2. In principle we have four options:

- (a) To amend the review bodies' terms of reference to require them to take explicit account of general economic and financial considerations or try in some other way to influence their recommendations.
- (b) To suspend their operation.
- (c) To invite the review bodies to advise on how a given sum of money should be distributed.
- (d) To let them report normally and consider their recommendations in the light of circumstances prevailing at the time.

CONFIDENTIAL



3. E(PSP) concluded that the best course would be to let all three bodies report in the usual way. Changing terms of reference to oblige the review bodies to take into account economic and financial considerations would make it more difficult to reject their recommendations on wider economic grounds. So far as the distribution of a pre-determined cash sum is concerned, it is clear that, this year at least, the review bodies either could not or would not be prepared to operate on this basis. Suspension of the AFPRB would be very difficult in view of our manifesto commitment to keep "full comparability [of servicemen's pay] with their civilian counterparts", which you reaffirmed in May of this year. Suspending the other two review bodies might, if we were certain that we would reject their recommendations, have the advantage of saving unnecessary work and preventing the publication of embarrassing recommendations. It would however be difficult to suspend the TSRB and DDRB without some idea of what might replace them. Both bodies provide specialised advice which is not readily available elsewhere: for example on the more technical aspects of doctors' remuneration and about the relationship between judges salaries and earnings at the bar, about which the Lord Chancellor has expressed his concern. Moreover suspension would be at variance with the statement which you made last May about the Review Bodies' continuing role and independence, and the understanding with the TSRB that it would not recommend new salary levels in its 1981 report but would completely reappraise the salaries of the groups covered by it in its 1982 Report.

4. We shall as usual need to submit evidence to the review bodies stressing the general economic and financial background against which their reports will have to be considered; and those colleagues most directly concerned will meet the TSRB, DDRB and AFPRB to reinforce what is said in our formal evidence. E(PSP) also took the view that there would be advantage in your and my meeting the chairmen of the review

CONFIDENTIAL



bodies, as we did before they produced their 1981 reports. The Sub-Committee felt that in any Ministerial contacts with the review bodies, they should be urged to take account of the likely level of pay settlements in the economy over the coming months and of the ease with which those on whom they report can be recruited and retained.

5. E(PSP) also considered the longer term implications of continuing fully to implement AFPRB reports based largely on a form of indexation. We have a clear commitment to maintaining comparability between service and civilian pay. But circumstances have changed significantly since that commitment was first made. The effective indexation of armed forces' pay is likely to cause increasingly serious problems with differentials between the more senior officers on whom it reports and those within the remit of the TSRB. Similar problems arise with medical ranks, whose pay follows the DDRB's recommendations. There is a continuing possibility that AFPRB recommendations will exceed cash limit factors, with significant implications for public expenditure. Most important, the services now have very little difficulty in recruiting and retaining most types of staff. The Sub-Committee therefore concluded that officials should be asked to report on the scope for modifying our commitments on armed forces pay to take more account than at present of the ease with which the services can recruit and retain staff in line with our general approach on public service pay. The Secretary of State for Defence will be reporting on officials' conclusions in time to give us the chance to review the policy we should adopt on armed forces' pay following the 1982 settlement. I would hope that he could do so by around the end of February next year, so that we shall be able to consider the AFPRB's 1982 recommendations in the light of officials' advice for the longer term.

CONFIDENTIAL



6. I am copying this minute to other members of E; to the Lord Chancellor and the Secretaries of State for Scotland and Wales; and to Sir Robert Armstrong.

(G.H.)

30 October 1981

CONQUEROR





BF 6/11. 8

①

10 DOWNING STREET

Prime Minister

Note: Asked Jeremy Colman for a draft on X - CF pl follow up

The Lord Chancellor by 6/11

MUS

has asked if you would

object to his replying to the

Lord Chief Justice's letter of

Oct 9m. My acknowledgement

did not commit you, or anyone,

to a reply.

Content for the Lord Chancellor
He can do the

to reply? main reply. but 1

MUS 30/10 must do work / X
not.

CONFIDENTIAL

THE PAY REVIEW BODIES

Note by the Official Committee on Public Service Pay

INTRODUCTION

1. The three pay review bodies - the Armed Forces Pay Review Body (AFPRB), the Top Salaries Review Body (TSRB) and the Doctors and Dentists Review Body (DDRB) - are due to report again in April. All three are liable to recommend increases above 4 per cent and if their recommendations are accepted this may call in question the Government's determination to reduce the level of pay settlements in the public sector and may make it harder to settle with other groups. Moreover, recommendations above this level by the AFPRB and the DDRB (though not the TSRB) would almost certainly mean that the cash limits applying to the groups within their terms of reference would have to be increased. Ministers will therefore wish to consider what to do about the pay of the groups covered by the Review Bodies and whether to seek to influence the Review Bodies either directly or indirectly at an early stage in their deliberations; this note discusses the options which seem to be open to the Government. The need for a decision arises now because the DDRB in particular may well ask the Government in the near future how its recommendations are likely to be treated, before it begins detailed work.

2. This note is concerned only with the current pay round; it does not consider whatever longer-term issues relating to the Review Bodies may arise in the wake of the Megaw Inquiry.

THE REVIEW BODIES' REMITS

3. The Review Bodies are charged with advising the Prime Minister on the groups with which they are concerned, which are as follows -

- i. TSRB - the judiciary, the higher Civil Service (ie Under-Secretary and above) and senior officers of the Armed Forces (ie ranks above Brigadier and equivalent).

CONFIDENTIAL

CONFIDENTIAL

- ii. AFPRB - Service personnel up to and including the rank of Brigadier or equivalent.
- iii. DDRB - all grades of hospital doctor, general practitioner and dentist.

The pay of Members of Parliament (MPs) and Ministers has also been referred to the TSRB from time to time, but because a Select Committee is currently considering the basis for settling MPs pay, the Government has not asked the TSRB to report on the remuneration of MPs and Ministers in 1982. The DDRB and the AFPRB consider not only salaries but also certain supplements and allowances (eg flying pay in the case of the AFPRB and the amount and number of consultants' merit awards in the case of the DDRB); and DDRB also reports on the level of general practitioners' (GPs) practice expenses to be reimbursed through fees.

THE TREATMENT OF REVIEW BODY REPORTS IN PREVIOUS YEARS

- 4. AFPRB reports have never been rejected by the Government, although the implementation of its 1978 recommendations was staged, to take account of the pay policy which was then in force. The only recommendations by the DDRB since 1971 not accepted by the Government were those in the 1981 report.
- 5. On the other hand, there have been numerous occasions when the TSRB's recommendations have been rejected or their implementation deferred. For the groups in the TSRB's standing remit (including nationalised industry board members until 1980), the 1974 recommendations were accepted in principle for the judiciary, higher Civil Service and senior officers of the Armed Forces but their implementation was staged for those earning over £13,000. The recommendations for board members were not accepted because the Government wished to consider these salaries in the light of the report on higher incomes then awaited from the Royal Commission on the Distribution of Income and Wealth. In 1978 the TSRB's recommendations were again accepted in principle (this time for all the groups) but implementation was staged for pay policy reasons. The 1980 recommendations were not accepted by the Government, neither was the 1981 recommendation that these salaries should be brought up to the 1980 recommended level as soon as possible.

CONFIDENTIAL

6. The TSRB's recommendations on the salaries of MPs and Ministers have followed a similar pattern. Its 1975 recommendations on MPs pay were accepted in principle but implementation was deferred indefinitely. The 1976 recommendations on Ministers' pay were also not implemented. The 1979 recommendations for both groups were staged and not fully implemented until 1981. The 1980 recommendations were not accepted although for MPs and all Ministers except Cabinet Ministers the 1980 recommended levels were reached and slightly exceeded in 1981. In each case the reason for not implementing the TSRB's recommendations was the need for pay restraint.

THE 1981 PAY ROUND

7. When Ministers considered the question of the Review Bodies during the latter part of 1980, in the context of the 1980-81 pay round, they decided not to suspend their operation or to amend their terms of reference, but instead to impress on them the need to take full account of the financial and economic situation. The Prime Minister subsequently saw the chairmen of all three bodies to make this clear to them although in the case of AFPRB she restated the Government's commitment to maintain the pay of the Armed Forces in line with that of their civilian counterparts. In the event the Review Bodies made the following recommendations -

- a. AFPRB - an average increase in gross pay of 10.3 per cent; this was accepted in full by the Government.
- b. DDRB - an average increase in remuneration of about 9 per cent; this was reduced by the Government to 6 per cent.
- c. TSRB - since the Government has not fully implemented the recommendations in the TSRB's 1980 report, the Review Body decided to make no further recommendations, but urged the implementation of the 1980 recommendations, which would have added about 12 per cent to the salary bill of the groups concerned in 1981-82, and stated

CONFIDENTIAL

its intention to carrying out a full review for the purpose of recommendations in 1982; the Government decided to increase the pay of the TSRB groups by 7 per cent.

PROSPECTS FOR THE 1982 PAY ROUND

8. It is impossible to predict at this stage the recommendations which the Review Bodies are likely to make if no further action is taken by the Government. The best assumptions which can be made at present are as follows -

a. The AFPRB seeks to keep Armed Forces' pay in line with the pay of their civilian counterparts by a system of job evaluation. Its recommendations will be influenced by earnings in the private sector and, to some extent, by those in the public sector too. The Department of Employment now estimates that the monthly index of average earnings for October, to be published in December, will show a year-on-year increase for the economy as a whole of about 10 per cent. So, the evidence the AFPRB will be examining may well lead to recommendations substantially in excess of 4 per cent, although there should in the case of this Review Body be no additional element to offset failure to implement earlier recommendations.

b. The DDRB may add to whatever it would otherwise recommend the 3 per cent reduction imposed by the Government on its recommendations for 1981. We have no firm indication yet what the DDRB will recommend, but the Department of Health and Social Security feel, on the basis of informal discussions with the professions and the DDRB, that its recommendations in total may well fall in the range of 6-10 per cent.

c. The pay of the TSRB groups is, on average, still some 5 per cent below what the Review Body recommended as appropriate for April 1980. The TSRB may therefore recommend for April 1982 increases of the order of 20 per cent, or more.

CONFIDENTIAL

CONFIDENTIAL

9. On MP's pay the Select Committee is likely to report in the Autumn and although we have no indication as yet of what they are likely to say, it is relevant that the current pay of Members of Parliament is only marginally above the level recommended by the TSRB as appropriate for June 1980. Unless the TSRB are specifically asked to make recommendations there will be no new bench mark against which to measure the pay of Ministers. The current levels are around, some above and some below, the levels recommended by TSRB as appropriate for June 1980.

10. The Government's attitude to public service pay in 1982-3 was made clear in the statement issued by the Chancellor of the Exchequer on 15 September 1981. In particular it said "The [4 per cent] pay factor is a broad measure of what the Government thinks reasonable and can be afforded as a general allowance for increases in pay at this stage fixing the programme from which the public service wage bill has to be met". It also said "The pay factor does not imply that all public service pay increases will and should be 4 per cent. Some may be less and some may be more". Finally it was made clear in the approved guidance issued to the Press at the time of the announcement that decisions to be taken on the cash planning figures "may include adjustment upward and downward to cash provision for a particular programme to allow, in whole or in part, for movements in pay and prices which are especially affecting that programme and which are expected to differ significantly from these general factors the presumption will be that cash limits once set will not be changed. If in an exceptional case Ministers decide later to provide more cash than allowed in their original decisions on the programmes, that increase will have to be met from within the Contingency Reserve".

OPTIONS

11. We have identified four broad options, as follows -

A. To amend the review bodies' terms of reference to require them to take explicit account of general economic and financial considerations, or to try in other ways to influence more strongly than at present the outcome of the Review Bodies' recommendations;

CONFIDENTIAL

CONFIDENTIAL

- B. To suspend the operation of the review bodies;
- C. To invite the review bodies to advise on the distribution of a given sum of money for pay; and
- D. To allow the review bodies to report normally and consider their recommendations in the light of the circumstances prevailing at that time.

It does not necessarily follow that the same option would have to apply to all three review bodies, although any different treatment would require cogent justification.

12. In considering these Ministers will wish to bear in mind that in answer to a Written Question on 15 May 1981, in which she announced the Government's response to the reports of the three pay review bodies, the Prime Minister said: "The Government attach great importance to their [ie the Review Bodies'] continuing role and independence".

13. We see considerable general disadvantages in Option A. In the past the Government has submitted strong evidence to the review bodies concerning the general economic and financial considerations relevant to their work, and will no doubt do so again. The review bodies already purport to take these into account, but it remains open to the Government to override the recommendations of the review bodies on these grounds. If, however, the review bodies were specifically required by their terms of reference to take general economic and financial considerations into account, it would be more difficult for the Government to overturn their recommendations on the grounds that these factors had been given insufficient weight. There is also the possibility that the Review Bodies would appear to be less independent and that their recommendations would be less readily accepted by the groups affected by them. Similar considerations apply to attempts to influence the Review Bodies, other than through the submission of evidence as at present. Past experience suggests that informal approaches are likely to have only a limited impact. More open and formal approaches are open to the same objections as amendment of the Review Bodies' terms of reference.

CONFIDENTIAL

14. As for Option B, the main arguments in its favour are that, if the Review Bodies recommendations were eventually to be overturned, suspension now would avoid a great deal of unnecessary work on their part and would, moreover, mean that there were no published recommendations against which the Government's decisions on the pay of the groups covered by the Review Bodies could be set. But suspension now would mean a public row with the groups concerned much earlier in the year than would a decision to overturn the Review Bodies' recommendations. Moreover, the Government has to have some means of settling the remuneration of the groups covered by these bodies. In the case of the medical and dental professions in particular, the existence of the DDRB relieves the Government of involvement in many detailed and potentially controversial issues; and it provides the only machinery currently in existence for determining GPs practice expenses. The professions themselves would certainly be opposed to suspension. If the suspension were to be only temporary, there would be the problem of catching up later. If the Review Bodies were to be suspended with a view to replacing them by something different in due course, it would be unwise to do this until the Government had a clearer idea of what the new arrangements might be otherwise suspension would be regarded as tantamount to abolition. The recommendations of the Megaw Inquiry will bear directly only on the TSRB and any new thinking about public service pay determination which may emerge from that could not bear upon the future of the Review Bodies until late 1982 or 1983 at the earliest; suspension might therefore have to be for two years. The balance of argument varies in relation to each of the three Review Bodies. In the case of the Armed Forces the AFPRB provides a mechanism for discharging the Government's commitment to maintain their pay at the level of their civilian counterparts, and suspension would call that commitment into question; the same point does not arise in the case of the other Review Bodies.

15. The following paragraphs discuss the remaining options in relation to each of the review bodies.

AFPRB

16. The Government's Election Manifesto said: "We will bring [servicemen's] pay up to full comparability with their civilian counterparts immediately and keep it there"; and this commitment has been reaffirmed by Ministers on a number of subsequent occasions, most recently on 15 May by the Prime Minister

CONFIDENTIAL

CONFIDENTIAL

in answer to the Written Question referred to above. In fulfilment of it AFPRB reports have been implemented in full since the Government took office, and the interpretation placed so far on the Government's commitment, particularly by the Armed Forces themselves, is that this will continue to be the case.

17. But the circumstances in which the commitment was first made have changed significantly. The relative pay of those ranks covered by the AFPRB is now ahead of other public service groups; and the Services now have little difficulty in recruiting and retaining most types of staff. It could therefore be argued that to continue to interpret the Government's commitment as implying the full implementation of AFPRB reports will increasingly conflict with the Government's determination to relate pay in the public sector more clearly to market forces. Moreover, the continued implementation in full of AFPRB reports is likely to cause increasingly serious problems with differentials at the interface between the ranks covered by it (up to and including Brigadier and equivalent) and those within the remit of the TSRB; similar problems will arise with medical ranks, whose pay follows the recommendations of the DDRB. Finally there is the possibility that next year the increase recommended by the AFPRB will again exceed the cash limit pay factor, with significant implications for public expenditure.

18. Ministers may conclude that despite the difficulties for public expenditure for differentials at the interface between AFPRB and other groups and for Government policy on public service pay generally, the Government has little alternative but to allow the AFPRB to complete its report for 1982 on which work is already well advanced. The AFPRB employs a well-documented system of comparability which could not be easily or quickly adapted to advising on the distribution of a specified sum. Moreover, careful consideration of the options would be required before any conclusions could be reached on the scope for changes in the AFPRB's methodology, and this would take time. It is however for consideration whether reliance on comparability to determine armed forces' pay and the index-linking of the pay of certain other groups such as police is desirable in the longer term. It might be possible to consider some modification of the original commitment relating to the armed forces which would take more account of current experience on recruitment and retention and would lead to some changes in the methods of the AFPRB. But this could not apply only to the Armed Forces; the index-linking of police pay has been justified on the

CONFIDENTIAL

same grounds as applied to the Armed Forces, and any softening of the Government's commitment would therefore have to apply to them also. If Ministers so wish, officials might be asked to prepare a report on the options which might be available following the current round.

DDRB

19. The existence of the DDRB has prevented any major confrontation over the professions' pay for 20 years (apart from the single year when the Government referred their recommendations to the Prices and Incomes Board) and for this reason the Health Departments themselves and the medical and dental professions attach particular importance to the retention in the longer term of the DDRB in some form. The alternative would be direct negotiations over pay between the Health Departments and the professions; and also that the Health Departments would be responsible for settling the overall pay structure of the professions, which as explained in paragraph 10 above is complex, and potentially controversial.

20. One approach (Option D) would be to allow the DDRB to report in due course and for the Government to consider at that stage whether to accept its recommendations. It is difficult to assess the prospects of an acceptable report being forthcoming; but they would be improved to the extent that the amount of money available for doctors and dentists exceeded the 4 per cent cash limit pay factor. The risk is that if the Government felt obliged to modify its recommendations for the second year running DDRB might resign, and the general principle of a review body system might be permanently discredited in the eyes of the professions, so that re-establishment in the future would be difficult.

21. The alternative (Option C) would be to invite the DDRB to advise the Government on the distribution of a stated level of total pay increase, namely 4 per cent or whatever other cash limit pay factor might eventually be settled on for the National Health Service. The DDRB seem likely to agree to do so only if the professions themselves were to accept this approach in advance, and present indications are that this is unlikely, even if the Government were to offer for distribution a figure significantly in excess of 4 per cent. Moreover an indication of this kind to the DDRB and the professions would quickly become public and could have an adverse effect on the public service pay round generally at an early stage.

CONFIDENTIAL

22. It is also necessary to consider what would happen if the attempt to persuade the DDRB to frame its recommendations within a cash limit were to fail. It would not then be feasible to ask the DDRB to report in the normal way without some implicit or explicit acceptance that its recommendations would be implemented. The only course open would be to suspend the DDRB with the consequences referred to in paragraph 10. The Government would then be in danger of confrontation with the medical and dental professions early in the current pay round, rather than towards the end of it as under Option D.

23. Finally, when the Prime Minister saw the British Medical and Dental Associations on 15 May to discuss the Government's response to the 1981 DDRB Report, the then Secretary of State for Social Services emphasised the importance the Government attached to the DDRB's survival and said that the Government's decision in respect of the DDRB's 1981 Report was an exceptional one forced on the Government by exceptional circumstances.

24. The balance of advantage thus seems to favour Option D.

TSRB

25. The following factors bear on the handling of the TSRB report -

- a. the fact that the TSRB groups, including Ministers and MPs, were in particular severely curtailed in their pay awards in 1980 and 1981: the remainder of the Civil Service had a full PRU settlement in 1980; the Doctors and Dentists had a fully-implemented DDRB award in 1980; and AFPRB reports have been fully implemented in both 1980 and 1981;
- b. the problem of recruiting adequate numbers of judges of sufficient calibre;
- c. the problem, to which we have already referred, of maintaining adequate differentials within the Armed Forces when salaries up to Brigadier are settled by the AFPRB and those of more senior officers by the TSRB;

CONFIDENTIAL

CONFIDENTIAL

d. the problem of differentials especially at Assistant Secretary and Under-Secretary levels;

e. the possibility that the TSRB would resign following a further rejection of their recommendations, and that suitable replacements might prove difficult to find.

26. Cash limits do not represent a constraint on the level of TSRB recommendations that could be accepted, since the pay of senior staff represents only a very small fraction of the total Civil Service pay bill. The TSRB report would therefore afford an opportunity to correct the distortion of differentials at senior levels which has arisen in recent years and which is referred to at e. above, if Ministers thought it appropriate to do so at that time.

27. The choice lies between inviting the TSRB to advise on the distribution of a given cash sum (Option C) or allowing it to report (Option D). Ministers will recall that the TSRB agreed last year not to recommend new salary levels in its 1981 report and instead to recommend afresh the implementation of its 1980 report, on the clear understanding that it should undertake a complete reappraisal of the salaries of the groups within its terms of reference for its 1982 report. For the Government now to seek instead to limit the TSRB to considering the distribution of a fixed cash sum, could well lead to accusations of bad faith and to the resignation of the TSRB. Moreover, it would probably be necessary for the Government to settle what the total cash sum should be for increases in the pay of the TSRB groups well before a settlement is reached for the remainder of the Civil Service. We do not, therefore, recommend this option. In all the circumstances it would seem preferable to allow the TSRB to report and to consider in the light of the circumstances prevailing at that time how best to deal with its recommendations.

CONFIDENTIAL

CONFIDENTIAL

ISSUES FOR CONSIDERATION

28. The main issues for consideration by Ministers are therefore as follows -

a. in the case of the AFPRB -

i. whether, in the light of the commitments made about armed forces' pay, the review body should be allowed to complete its report for 1982, despite the implications for public expenditure, for the pay of certain groups which interface with the AFPRB groups and for Government policy on public service pay generally; and

ii. whether, as a basis for a possible review of policy towards armed forces' pay post-1982, officials should be asked to report on the scope for modifying the Government's commitments on comparability with civilian pay to take more account of experience on recruitment and retention.

b. in the case of the DDRB, whether the review body should be allowed to report in the normal way and the Government should decline to give any indication at this stage as to whether its recommendations will or will not be implemented;

c. in the case of the TSRB, whether the review body should be allowed to report on the basis of the understanding reached earlier with Ministers, and its recommendations should be considered in the light of circumstances at that time.

20 October 1981

CONFIDENTIAL

Row 101 113
T S C W

eg J Vercher

~~BAF~~

HL

13 October 1981

I attach a copy of a letter from the Lord Chief Justice of England, to the Prime Minister.

I should be grateful for a draft reply for the Prime Minister's signature, if possible by Tuesday 27 October.

MICHAEL SCHOLAR

Jeremy Colman, Esq.,
Civil Service Department.

cc J. Verelker

HL

13 October 1981

I am writing to thank you on the Prime Minister's behalf for your letter of 9 October with which you enclosed a copy of your memorandum to the Top Salaries' Review Body.

I will place your letter before the Prime Minister at the earliest opportunity.

MICHAEL SCHOLAR

The Rt. Hon. the Lord Lane, A.F.C.

Prime Minister

(4)



ROYAL COURTS OF JUSTICE,

LONDON, WC2A 2LL

Confidential.

Oct 9. 1981

My dear Prime Minister.

I enclose a copy of a memorandum submitted by myself and the other Heads of Divisions in this building to the Top Salaries Review body.

I am sending a copy to you because the four of us are so concerned about the future of the Judiciary that we feel it necessary to bring the matter to your attention directly.



ROYAL COURTS OF JUSTICE,

LONDON, WC2A 2LL

2;

We hope that it will be possible to take effective action this April, or to treat the matter as quite separate from the annual pay round and deal with it before then.

Yours sincerely

Geoffrey Lane

M E M O R A N D U M

To: T. S. R. B.

From: HEADS OF DIVISIONS

Last year we submitted a memorandum stating that it was our view that a salary of £50,000 p.a. was necessary as at 1st April if the quality of the High Court Judiciary was not to be jeopardised. We adhere to this view and are confirmed in it by the fact that, since then, we understand, two appointments have been refused on financial grounds. This coming April the salary required will be the above figure increased at least by an amount to take full account of inflation.

We do not regard the fact that this would greatly exceed the Government's overall target of a 4% increase as affecting the matter. The target is an overall one and, therefore, implies that some will get less and others more than the mean. This was done to some extent last year. Quite apart from this, however, the preservation of the quality of the judiciary is one of the essential foundations of the future of society. It surely ought not to be put in jeopardy on the ground that to preserve it would involve granting financial rewards going beyond current short term policy. If preservation required salaries very much higher than we are advocating, such salaries would in our view have to be granted. It seems to us irresponsible to provide society in future with a second-class judiciary in order to save a comparatively small amount of money now.

That large increases are sometimes necessary has, of course, been recognized in the recent 25% increase in the salary of the Chairman

of British Rail.

We do not know to what extent further evidence from the Judiciary will be sought this year, but we understand that the Review Body is to meet towards the end of October, and we feel it desirable that our views should be before them at the outset of their deliberations.

Yours C.S.

Henry M.P.

John A. P.

A. H. P. ^{V.C.}

Earliest pp's pl
MCS 9/13

CONFIDENTIAL

cc Mr. Hoskyns

MR. LANKESTER

The Prime Minister's comment that
the min was not was a
letter to go to the Trg. Trn
The handover.
Feb. 25th

Cliff

Could you pls check that
the PM is content for
me write as per the draft
attached.

Review Bodies

You and I had a word with Robert Armstrong about how to give effect to the Prime Minister's comment on my note of 22 September about the Review Bodies (attached).

(TV's

edit

note

also

attached)

The Ministry of Defence will be putting up a strong defence of the AFPRB in the official discussions which begin next week. For instance, their paper concludes that they "attach the greatest importance to the Government's commitment to comparability and to the role of the AFPRB in fulfilling it". They go on to say that "to meet the commitment it will be necessary as in previous years for extra money to be provided to finance any settlement above the cash limit allowance". We already know, as I said in my earlier minute, that a constrained remit for the DDRB will be necessary to keep the pay rises of doctors and dentists within the cash limit. On the other hand, Robert Armstrong has now told us of the assurance he gave (with the Prime Minister's approval) to Lord Plowden about the continuance of the TSRB (I will of course keep knowledge of that assurance within the office).

12

24/5

I have consulted Bernard Ingham about how we would cope with any leak of our intention to do anything radical about the Review Bodies. Of course we could expect representatives of the Bodies concerned to put up a fuss; but Bernard is confident that we could defend to the general public the need for a close examination of the role of the Review Bodies in the present cash limit regime.

In the light of all this, I think it would be helpful if you could write along the lines of the attached draft letter. It does not go too far beyond the Prime Minister's suggestion that we look at the terms of reference; of course it would be open to you to consult the Prime Minister again if you thought it necessary.

J.S.

24 September 1981

CONFIDENTIAL

DRAFT LETTER FOR TIM LANKESTER TO SEND TO JOHN KERR, HM TREASURY

You will have seen from my letter of 22 September to Terry Mathews that Ministers did not discuss, in the course of their meeting on the CPRS report on pay on 21 September, the position of the Review Bodies. I have since consulted ^{the Prime Minister} her about the role of the Review Bodies in the current pay round, and she is concerned that, in the case of the AFPRB and DDRB particularly, comparability based studies may lead to conclusions that are incompatible with the cash limit regime.

The Prime Minister is aware that officials are already looking at the general problems posed by Review Bodies, with a view to a discussion in E(PSP) early in October. In her view, ~~they~~ ^{the review} should consider the feasibility of a significant limitation to the remit given to the AFPRB and DDRB, so that their reviews were based on the principles of affordability, and recruitment and retention rates, rather than on comparability. Such a change would, of course, be consistent with the tone of the Government's evidence to the Megaw inquiry. The Prime Minister is aware that such constrained terms of reference for the AFPRB and DDRB may be so unwelcome to them that they might not be prepared to continue, in which case the review undertaken by officials should consider what alternative arrangements might be required. The Prime Minister believes that somewhat different criteria apply to the operation of the TSRB, which does not necessarily conflict with cash limits.

~~The Prime Minister would like to discuss the future role of the Review Bodies with the Chancellor before E(PSP) reaches an official view.~~

I am sending copies of this letter to David Omand (Ministry of Defence), Don Brereton (DHSS), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), David Wright (Cabinet Office) and Gerry Spence (CPRS).



ECON
P5L

10 DOWNING STREET

~~PRIME MINISTER~~

REVIEW BODIES

You read John Vereker's note below, but I am not sure whether or not you have accepted his suggestion that we should write to the Treasury about further work that needs to be done on the Review Bodies (see his last paragraph).

~~John Vereker~~

(PW)

in conn.

TL

23 September 1981

TL
24/9

CONFIDENTIAL

22 September, 1981
Policy Unit

PRIME MINISTER

c.c. Mr. Hoskyns

Review Bodies

The future of the Review Bodies was not discussed at your meeting on the CPRS pay report yesterday; but I think it is important to give some thought to it before it is too late to affect the way they report this year.

The CPRS were particularly concerned about the continuation of comparability for the Armed Forces. Certainly to again provide for an extension of the MOD's cash limit in order to finance an Armed Forces pay rise out of line with the 4% planning factor would make settlements elsewhere in the public services much harder. Problems will arise with the other Review Bodies too. Before the reshuffle, Mr. Jenkin told the Chief Secretary that it might be necessary to give the DDRB a constrained remit for this year, so that they simply recommended on the distribution of a total fixed amount. Faced with such a request, the DDRB might of course resign. And the future role of the TSRB is already within the terms of reference of the Megaw Inquiry: the handling of the TSRB recommendations this year will undoubtedly raise difficulties because they have already threatened a full and public report.

We think that Review Bodies are a hangover from the days of comparability: they don't easily co-exist with cash limits; and it is hard to see them co-exist with any new pay determination systems based on market forces. We ought therefore to be thinking about:-

- (a) either abolishing them altogether before they get down to reporting this year, or at the very least putting them into cold storage; and

/ (b)

CONFIDENTIAL

- (b) what would be needed to replace them, given that in each case they undertake important and difficult tasks other than the determination of overall levels of pay.

Officials are already looking at the general problems posed by Review Bodies in this pay round, with a view to a discussion in EPSP early in October. If you agree, I think it would be helpful for Tim to write to the Chancellor's Office saying that you are concerned that the continuing existence of the Review Bodies may threaten our public service pay objectives this year, that work should be put in hand on what would be needed if they were either abolished or suspended, and that you would like to discuss the issue with the Chancellor before EPSP takes any decisions.



The possibility of a look
could work - great possibility - ought
we not ... to look at them
basis of reference to ensure that
the amount is not one of
pure expediency?
not

22 September, 1981.

210
C A Whitmore Esq



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A04930

18 May 1981

Thank you for your letter of 18 May.

By all means tell Alan Williams; I assume that he will see the copy of my letter which I sent to Ian Bancroft.

I am sending copies of this letter to Ian Bancroft, Wilfrid Bourne and Clive Whitmore.

ROBERT ARMSTRONG

Sir Henry Rowe KCB QC



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

C. A. Whitmore, Esq

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319

CONFIDENTIAL



BR
LW

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref: A04919

18th May 1981

I wrote to you on 12th May proposing an interdepartmental leak inquiry into the disclosures in last weekend's Sunday papers about the Government's decisions on the Review Body Reports.

In the event the Prime Minister changed her mind, and came to the conclusion that an inquiry was unlikely to discover the source of the leaks and would serve no useful purpose. She said as much in reply to a Parliamentary Question by Mr. Meacher on Thursday, 14th May. My letter of 12th May can, therefore, be regarded as inoperative (as Mr. Ron Ziegler used to say), and we are recalling the copies of it.

I am sending copies of this letter to the recipients of my earlier letter.

ROBERT ARMSTRONG

Sir Ian Bancroft, GCB

CONFIDENTIAL



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

ECA ²
PSC

Prime Minister

270

18th May 1981

Dear Prime Minister

R
295

Thank you for your letter setting
out the Government's decisions on the
Top Salaries Review Body's Reports Nos. 16 and 17.

Yours sincerely
Rowden *MR*

The Rt Hon Margaret Thatcher MP
The Prime Minister
10 Downing Street
London SW1

FILE



10 DOWNING STREET

Example B 14/5
cc LPO
apress 14/5

THE PRIME MINISTER

15 May 1981

Thank you for your letter of 7 May with which you enclosed the 17th Report of the Top Salaries Review Body. I am most grateful to you for producing this report so speedily.

I will be announcing on 15 May the Government's decisions on both the 16th and 17th Reports of the Review Body.

In Report No. 16, the Review Body urged the Government to implement in full and as soon as possible their 1980 recommendation on the salaries of the judiciary, the higher Civil Service and senior officers of the Armed Forces. The Government naturally gave the most serious consideration to this recommendation, but noted that to implement it would add about 12% to the salary bill of the group concerned for 1981-82. We felt unable to increase the salaries of these senior people by more than the amount that has been offered to the non-industrial Civil Service as a whole. We have decided accordingly that the salaries of these groups should be increased by 7%. In the case of the higher Civil Service and senior officers the increase will be a flat 7% for all grades or ranks. For the judiciary we will distribute the 7% in accordance with the advice set out in your letter of 28 April to Sir Robert Armstrong.

The Review Body also urged the implementation in full of their 1980 recommendations on the salaries of MPs and Ministers. The Government consider that it would be fair and reasonable to propose to Parliament that these groups should receive a 6% increase this year on the salaries already agreed to come into effect on 13 June 1981. This would be in line with what has been offered

DC

to many other public sector groups. A 6% increase will in fact put the salaries of MPs and most Ministers (though not Cabinet Ministers) slightly above the rates recommended as appropriate by the Review Body in 1980: for example it will give MPs £13,950. In taking this decision the Government were influenced by the Review Body's view that the 1980 rates should be reached as soon as possible. However as these rates were the ones that you felt were appropriate last year, I hope that we were not out of line with the spirit of the Review Body's views in deciding that it was acceptable to go a little beyond the 1980 rates for the 1981 settlement.

We accept the Review Body's recommendations for supplementary provision, pro rata to the secretarial and research allowance, where a Member of Parliament continues to pay his secretary or research assistant for a period of absence of more than four weeks and needs to secure temporary help, and the recommendation that the secretarial allowance should continue during periods of dissolution. As to the amounts of the Parliamentary allowances, the Government feel that, when pay increases for other groups of public servants are being held within cash limits of 6%, and Members of Parliament themselves are being asked to limit their own salary increased to 6% of the rates approved last year, increases in Parliamentary allowances should be kept within the same limit, and we shall propose accordingly to Parliament.

Although not relating to a point covered in your 17th Report, you will wish to be aware of a further decision by the Government on Ministerial salaries that will be announced on Friday. In announcing last year's increases in Ministerial salaries, I drew attention to the special problems which arise for Ministers of State, Parliamentary Secretaries and other office holders in the House of Lords from the fact that they do not receive any salary specifically in respect of their Parliamentary duties. I told the House of Commons that the Government would consider how the arrangements for their remuneration should be revised to take account of this problem. We now propose to make arrangements for the Ministerial salaries of Ministers of State, Parliamentary

/ Secretaries

Secretaries and other office holders in the House of Lords to be increased by £3,500 over and above the increase of 6% for Ministers in general. This addition to their remuneration, in lieu of a Parliamentary salary, is rather less than half the amount of the Parliamentary salary payable to Ministers in the Commons.

Although the Government has not felt able to implement all of the Review Body's recommendations this year, you can be assured that we place the highest value on your advice and we are very grateful for the work you have done.

MT

The Lord Plowden, K.C.B., K.B.E.

DRAFT

Econ Pol



10 DOWNING STREET

THE PRIME MINISTER

Dear Lord Plowden,

Thank you for your letter of 7 May with which you enclosed the 17th Report of the Top Salaries Review Body. I am most grateful to you for producing this report so speedily.

I will be announcing on 15 May the Government's decisions on both the 16th and the 17th Reports of the Review Body.

In Report No. 16, the Review Body urged the Government to implement in full and as soon as possible their 1980 recommendation on the salaries of the judiciary, the higher Civil Service and senior officers of the Armed Forces. The Government naturally gave the most serious consideration to this recommendation, but noted that to implement it would add about 12% to the salary bill of the group concerned for 1981-82. We felt unable to increase the salaries of these senior people by more than the amount that has been offered to the non-industrial Civil Service as a whole. We have decided accordingly that the salaries of these groups should be increased by 7%. In the case of the higher Civil Service and senior officers the increase will be a flat 7% for all grades or ranks. For the judiciary we will distribute the 7% in accordance with the advice set out in your letter of 28 April to Sir Robert Armstrong.

The Review Body also urged the implementation in full of their 1980 recommendations on the salaries of MPs and Ministers. The Government consider that it would be fair and reasonable to propose to Parliament that these groups should receive a 6% increase this year on the salaries already agreed to come into effect on 13 June 1981. This would be in line with what has been offered to many other public sector groups. A 6% increase will in fact put the salaries of MPs and most Ministers (though not

/Cabinet Ministers)

Cabinet Ministers) slightly above the rates recommended as appropriate by the Review Body in 1980: for example it will give MPs £13,950. In taking this decision the Government were influenced by the Review Body's view that the 1980 rates should be reached as soon as possible. However as these rates were the ones that you felt were appropriate last year, I hope that we were not out of line with the spirit of the Review Body's views in deciding that it was acceptable to go a little beyond the 1980 rates for the 1981 settlement.

~~The Government have given careful consideration to the Review Body's recommendations on the various Parliamentary allowances. We did not feel, however, that in present circumstances it would be right for any of these allowances to be increased by more than 6%. We shall propose increases of that amount to Parliament.~~

Although not relating to a point covered in your 17th Report, you will wish to be aware of a further decision by the Government on Ministerial salaries that will be announced on Friday. In announcing last year's increases in Ministerial salaries, I drew attention to the special problems which arise for Ministers of State, Parliamentary Secretaries and other office holders in the House of Lords from the fact that they do not receive any salary specifically in respect of their Parliamentary duties. I told the House of Commons that the Government would consider how the arrangements for their remuneration should be revised to take account of this problem. We now propose to make arrangements for the Ministerial salaries of Ministers of State, Parliamentary Secretaries and other office holders in the House of Lords to be increased by £3,500 over and above the increase of 6% for Ministers in general. This addition to their remuneration, in lieu of a Parliamentary salary, is rather less than half the amount of the Parliamentary salary payable to Ministers in the Commons.

Although the Government has not felt able to implement all of the Review Body's recommendations this year, you can be assured that we place the highest value on your advice and we are very grateful for the work you have done.

The Lord Plowden, K.C.B., K.B.E.

Ref: A04899



PERSONAL AND CONFIDENTIAL

MR. PATTISON *YPA*

c Mr. Lankester

Review Body Reports

The draft announcement now needs further revision in the light of the decisions taken at this morning's Cabinet on Parliamentary allowances.

2. I attach a schedule of amendments to the draft announcement; and also a suggested amendment to the letter to Lord Plowden which Mr. Lankester left with me and which I return herewith. *with TPL*

3. I am sending copies of this minute to Mr. Heyhoe and Mr. Buckley.

REA

Robert Armstrong

14th May, 1981

PERSONAL AND CONFIDENTIAL



Amendments to Draft Announcement

Delete last sentence of paragraph 9.

Insert new paragraph to follow existing paragraph 10:

Parliamentary Allowances

11. The Government accepts the Review Body's recommendation that supplementary provision, pro rata to the secretarial and research allowance, should if necessary be made available where an Honourable Member continues to pay his secretary or research assistant for a period of absence of more than four weeks and needs to secure temporary help; and the recommendation that the secretarial allowance should continue to be available during periods of dissolution. As to the amounts of the Parliamentary allowances, the Government considers that, at a time when pay increases for other groups of public servants are being held within cash limits of 6 per cent, and Honourable Members themselves are being asked to limit to 6 per cent the amount by which the rates approved last year are increased, increases in Parliamentary allowances should be kept within the same limit. The Government will accordingly invite the House to approve the following new rates for the allowances, in place of those recommended by the Review Body:

	£
MPs' secretarial and research allowance	8,480
Peers' secretarial allowance	1,250
Peers' expense allowances (per diem)	
Overnight subsistence	24.40
Day subsistence and incidental travel	11.65
Secretarial costs, postage and certain additional expenses	10.60

Renumber existing paragraphs 11, 12 and 13 as 12, 13 and 14.



Amendment to letter to Lord Plowden

Delete fifth paragraph as drafted, and

Substitute:

We accept the Review Body's recommendations for supplementary provision, pro rata to the secretarial and research allowance, where a Member of Parliament continues to pay his secretary or research assistant for a period of absence of more than four weeks and needs to secure temporary help, and the recommendation that the secretarial allowance should continue during periods of dissolution. As to the amounts of the Parliamentary allowances, the Government feel that, when pay increases for other groups of public servants are being held within cash limits of 6 per cent, and Members of Parliament themselves are being asked to limit their own salary increases to 6 per cent of the rates approved last year, increases in Parliamentary allowances should be kept within the same limit, and we shall propose accordingly to Parliament.

From the Private Secretary

TSRB
TSRB



SR Mr
Lynn
13 May 1981

and put
in folder 3.

Tim Lankester Esq
Private Secretary to the
Prime Minister

Dear Tim,

R

TSRB REPORT

As requested I attach a draft letter from the Prime Minister to Lord Plowden thanking him for his letter of 7 May and informing him of the Government's decisions on the two TSRB reports this year.

Yours sincerely,
Tim Buckley.

J BUCKLEY

DRAFT LETTER FROM THE PRIME MINISTER TO LORD PLOWDEN

~~TSRB REPORTS NOS 16 AND 17~~

Thank you for your letter of 7 May with which you enclosed the 17th Report of the Top Salaries Review Body. I am most grateful to you for producing this report so speedily.

I will be announcing on 15 May the Government's decisions on both the 16th and the 17th Reports of the Review Body.

In Report No. 16, the Review Body urged the Government to implement in full and as soon as possible their 1980 recommendation on the salaries of the judiciary, the higher Civil Service and senior officers of the Armed Forces. The Government naturally gave the most serious consideration to this recommendation, but noted that to implement it would add about 12% to the salary bill of the group concerned for 1981-82. We felt unable to increase the salaries of these senior people by more than the amount that has been offered to the non-industrial Civil Service as a whole. We have decided accordingly that the salaries of these groups should be increased by 7%. In the case of the higher Civil Service and senior officers the increase will be a flat 7% for all grades or ranks. For the judiciary we will distribute the 7% in accordance with the advice set out in your letter of 28 April to Sir Robert Armstrong.

The Review Body also urged the implementation in full of their 1980 recommendations on the salaries of MPs and Ministers. The Government consider that it would be fair and reasonable to propose to Parliament that these groups should receive a 6% increase this year on the salaries already agreed to come into effect on 13 June 1981. This would be in line with what has been offered to many other public sector groups. A 6% increase will in fact put the salaries of MPs and most Ministers (though not Cabinet Ministers) slightly above the rates recommended as appropriate by the Review Body in 1980: for example it will give MPs £13,950. In taking this decision the Government were influenced by the Review Body's view that the 1980 rates should be reached as soon as possible. However as these rates were the ones that you felt were appropriate last year, I hope that we were not out of line with the spirit of the Review Body's views in deciding that it was acceptable to go a little beyond the 1980 rates for the 1981 settlement.

The Government accepts the Review Body's recommendations on the various Parliamentary allowances. We will propose to Parliament that they should be implemented.

Although not relating to a point covered in your 17th Report, you will wish to be aware of a further decision by the Government on Ministerial salaries that will be announced on Friday. In announcing last year's increases in Ministerial salaries, I drew attention to the special problems which arises for Ministers of State, Parliamentary Secretaries and other office holders in

the House of Lords from the fact that they do not receive any salary specifically in respect of their Parliamentary duties. I told the House of Commons that the Government would consider how the arrangements for their remuneration should be revised to take account of this problem. We now propose to make arrangements for the Ministerial salaries of Ministers of State, Parliamentary Secretaries and other office holders in the House of Lords to be increased by £3,500 over and above the increase of 6% for Ministers in general. This addition to their remuneration, in lieu of a Parliamentary salary, is rather less than half the amount of the Parliamentary salary payable to Ministers in the Commons.

Although the Government has not felt able to implement all of the Review Body's recommendations this year, you can be assured that we place the highest value on your advice and we are very grateful for the work you have done.

SECRET

PERSONAL

7

Ref. A04891

MR. PATTISON *MA*

Review Body Reports

I attach yet another draft of the announcement. The changes are in paragraph 1, to which I have added a sentence expressing gratitude to the members of the Review Bodies, and in paragraph 12, which I have recast so as to include a very abbreviated account of the arrangements for dealing with junior Ministers in the House of Lords. I am checking this with the experts, but I think that it enables us to dispense with the longer version, originally intended for reproduction in the Official Report.

2. There is one point of detail on the schedules. The Ministry of Defence do not want the rates for medical senior officers to be promulgated in advance of decisions on medical officers at lower levels. Would you therefore please substitute the attached page for the third page of the schedule sent to you earlier?

REA

ROBERT ARMSTRONG

13th May, 1981

SECRET

PERSONAL

SECRET AND PERSONAL

REVIEW BODY REPORTS

Draft of an Announcement

I have received Reports from the Review Body on Armed Forces Pay, the Review Body on Doctors' and Dentists' Remuneration, and from the Review Body on Top Salaries both on top salaries and on the remuneration of Ministers and Members of Parliament. All these Reports are being published today, and copies are available in the Vote Office. The Government is extremely grateful to the members of the Review Bodies for these Reports, and for the time and care which they have put into their preparation.

2. I should like to inform the House of the Government's decisions and proposals on the Review Bodies' recommendations.

SECRET AND PERSONAL

The Armed Forces

3. The Review Body on Armed Forces Pay, which covers all combatant ranks up to and including Brigadier, has made its recommendations against a background of constraints on public expenditure, but also in the light of the Government's confirmed commitment to keep the pay of members of the Armed Forces at levels comparable with those of their civilian counterparts. The Government stands by that commitment, and will accordingly implement the Review Body's recommendations. These represent an increase of 10.3 per cent, or 9.4 per cent net, after taking account of increases in food and accommodation charges. The relevant cash limits will be adjusted to accommodate this increase.

NHS Doctors and Dentists

4. The pay of NHS doctors and dentists was brought fully up to date last year, when the Government implemented the Review Body's recommendations in full. The recommendations which the Review Body have made this year would add some 9 per cent to the present level of expenditure on doctors' and dentists' remuneration, though because the Review Body propose a deferred implementation date for the new level of target average net income for general dental practitioners the net cost in 1981-82 would be 8.3 per cent. The Government considers that, when most groups of public servants other than the police and the Armed Forces are being expected to accept increases in the cost of their remuneration within a cash limit of 6 per cent, it is bound to ask the doctors and dentists to accept a similar limitation. The Review Body's recommendations could be accommodated within cash limits only at the cost of significant compensating reductions in the expenditure on the National Health Service which would entail an unacceptable reduction in the standards of health care. Accordingly it will implement increases for NHS doctors and dentists within an average of 6 per cent. The scales and rates recommended by the Review Body will be scaled down accordingly: proposals will be put to the representatives of the medical and dental professions.

SECRET AND PERSONAL

Top Salaries

5. Last year the Government decided not to implement in full the Top Salaries Review Body's recommendations on the salaries of the judiciary, the higher Civil Service and senior officers of the Armed Forces. In view of that decision the Review Body has reached the conclusion that no useful purpose would be served by its recommending this year new salary levels beyond that which still remain to be implemented from last year. Instead, it has produced an interim report which urges the Government to implement its last recommendations in full and as soon as possible; and has given notice of its intention to submit a comprehensive report by 1 April 1982, containing recommendations on the salary levels which are appropriate at that date.

6. To implement last year's recommendations in full from 1 April 1981 would add about 12 per cent to the salary bill of the groups concerned for 1981-82. The Government believes that it would not be right to increase the salaries of these senior people by more than the amount which has been offered for the non-industrial Civil Service as a whole. The salaries of these groups will accordingly be increased by 7 per cent. This increase will, so far as the higher Civil Service is concerned and others affected by the 6 per cent cash limit are concerned, be accommodated within that limit. The salaries and rates to be implemented are set out in a schedule ^{below} ~~which is being circulated in the Official Report;~~ so far as the judiciary is concerned, the distribution of the increases has been designed, in consultation with the Review Body, to move towards the relativities recommended by the Review Body's Sub-Committee which has examined those matters. The Review Body will be giving further consideration to the Sub-Committee's findings in its comprehensive report next year.

SECRET AND PERSONAL

Ministers and Members of Parliament

7. Ministers and Members of Parliament are unique in that they still have to receive the third and final stage of the increases recommended for them by the Top Salaries Review Body in 1979. Last year the Government felt compelled to propose, and the House approved, second stage increases which fell short of those recommended by the Review Body; the House also approved revised rates for the third stage, to come into effect in June 1981, which were less than the rates which had been recommended by the Review Body. These were embodied in a Resolution of this House and an Order in Council approved by each House. But my right hon. Friend the Member for Chelmsford, then the Leader of the House, undertook that the Review Body would be asked to review the third stage increase due in 1981, and he said that the Government would implement the results of the third stage review unless there were clear and compelling reasons not to do so.

8. In the event the Review Body has taken the same course with the pay of Ministers and Members of Parliament as with the other groups which come within their remit: it has not recommended new rates for this year, but has urged the implementation in full and as soon as possible of their recommendations for the third stage. It has, however, advised on the increase of the various Parliamentary allowances which are within its remit.

9. The Government proposes that the abated salary rates approved by the House last year to come into effect on 13th June 1981 - which reflected last year's circumstances - should be increased by 6 per cent. This would bring the Parliamentary salary up to £13,950 with effect from 13th June next. The proposed new rates of Ministerial salaries are set out in a schedule ^{below} which is being circulated in the Official Report. [The Government proposes that new rates of Parliamentary allowances should be implemented as proposed by the Review Body.]

10. For Members of Parliament and all Ministers that are outside the Cabinet these increases will just overtake the salary levels recommended by the Top Salaries Review Body in 1980 to come into effect in June 1981. The salaries of Cabinet Ministers and of the Attorney General will still be marginally below, and those for the Prime Minister and the Lord Chancellor still significantly below, those levels. My right Hon. Friend the Lord Chancellor and I will draw the same salaries as other Cabinet Ministers, but this is without prejudice to the position that the rates recommended by the Review Body for the Prime Minister, the Lord Chancellor, Cabinet Ministers and the Attorney General are appropriate for their respective offices and will be brought into effect when circumstances permit.

insert new
para 11

Junior Ministers in the House of Lords

12. In announcing last year's increases in Ministerial salaries, I drew attention to the special problem which arises for Ministers of State, Parliamentary Secretaries and other office holders in the House of Lords from the fact that they do not receive any salary specifically in respect of their Parliamentary duties, and I told the House that the Government proposed to consider how the arrangements for their remuneration should be revised to take account of this problem.

13. 12. The Government now proposes to make arrangements for the Ministerial salaries of Ministers of State, Parliamentary Secretaries and other office holders in the House of Lords to be increased by £3,500 over and above the general increases which I have already described. This addition to their remuneration, in lieu of a Parliamentary salary, is rather less than half the amount of the Parliamentary salary payable to Ministers in the House of Commons. In the case of Ministers of State, this will be achieved by my exercising my discretion, under paragraph 1(1) of Part V of Schedule 1 of the Ministerial and Other Salaries Act 1975, to secure that Ministers of State in the House of Lords are paid at the top of the new range of salaries for Ministers of State, which from 13th June will run from £19,775 to £23,275. Ministers of State in the House of Commons will continue to be paid at the bottom of this range. In the case of Parliamentary Secretaries a similar result will be achieved by increasing the maximum salary prescribed under the Act to £18,600; that will be the rate paid to Parliamentary Secretaries in the House of Lords, while under the discretion given by Section 4(2) of the 1975 Act

SECRET AND PERSONAL

Parliamentary Secretaries in the House of Commons will receive £15,100. The salaries of Law Officers and Whips in the House of Lords, of the Leader of the Opposition in that House and of the Chairman and Principal Deputy Chairmen of Committees will be set £3,500 above the third stage levels as approved last year and increased by 6 per cent.

Implementation

14 13. The new rates for the Armed Forces (including senior officers), NHS doctors and dentists, the judiciary, and the higher Civil Service will be implemented with effect from 1st April 1981. The House will be invited to approve Resolutions and an Order in Council to implement the proposals for Members of Parliament, Peers and Ministers.

SENIOR GRADES OF THE HIGHER CIVIL SERVICE

New Salary rates

Head of Home Civil Service)	..£
Permanent Secretary to the Treasury)	35,845
Secretary to the Cabinet)	
Permanent Secretary	33,170
Second Permanent Secretary	30,495
Deputy Secretary	26,215
Under Secretary	21,935

SENIOR OFFICERS IN THE ARMED FORCES

Admiral of the Fleet)	
Field Marshal)	35,845
Marshal of the Royal Air Force)	
Admiral)	
General)	33,170
Air Chief Marshal)	
Vice Admiral)	
Lieutenant General)	26,215
Air Marshal)	
Medical Rear Admiral)	
Medical Major General)	23,005 7
Medical Air Vice Marshal)	
Rear Admiral)	
Major General) *	21,935
Air Vice Marshal)	

* The rate for the Medical equivalents of these officers will be decided in the light of the recommendations awaited in the Supplementary Report of the AFPRB on the pay of Service Medical and Dental officers.

Ref: A04869

PERSONAL AND CONFIDENTIAL

MR. WHITMORE

1.
Prime Minister

ML
m.

Following our discussion with the Prime Minister yesterday evening, I have revised the last section of the proposed draft announcement on the Review Body Reports, so as to transfer to an annex to be circulated with the Official Report the detail of the arrangements for increasing the Ministerial salaries of Junior Ministers in the House of Lords. I have also included a paragraph which makes it clear that she and the Lord Chancellor will continue to draw the same salaries as other Cabinet Ministers but that the rates recommended by the Review Body for the Prime Minister, the Lord Chancellor, Cabinet Ministers and the Attorney General (which are all still above the rates which will actually be payable from 13th June 1981) are appropriate and will be brought into effect when circumstances permit.

2. I attach a revised version of the statement, and the proposed note for the Official Report on the detailed arrangements for giving effect to the proposals on Junior Ministers in the House of Lords. In the statement and the note I have not described the people concerned as Junior Ministers, since I understand that many Ministers of State do not regard that description as applying to them.

3. I am sending copies of the revised statement and the note to the Private Secretaries to the Lord Chancellor, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster and the Lord President; but not to the Private Secretaries to the Secretaries of State for Defence and Social Services, since the parts of the draft with which they are Departmentally concerned remain unchanged.

RTA

Robert Armstrong

12th May 1981

PERSONAL AND CONFIDENTIAL

REVIEW BODY REPORTS

Draft of an Announcement

I have received Reports from the Review Body on Armed Forces Pay, the Review Body on Doctors' and Dentists' Remuneration, and from the Review Body on Top Salaries both on top salaries and on the remuneration of Ministers and Members of Parliament. All these Reports are being published today, and copies are available in the Vote Office.

2. I should like to inform the House of the Government's decisions and proposals on the recommendations in these Reports.

The Armed Forces

3. The Review Body on Armed Forces Pay, which covers all combatant ranks up to and including Brigadier, has made its recommendations against a background of constraints on public expenditure, but also in the light of the Government's confirmed commitment to keep the pay of members of the Armed Forces at levels comparable with those of their civilian counterparts. The Government stands by that commitment, and will accordingly implement the Review Body's recommendations. These represent an increase of 10.3 per cent, or 9.4 per cent net, after taking account of increases in food and accommodation charges. The relevant cash limits will be adjusted to accommodate this increase.

NHE Doctors and Dentists

4. The pay of NHS doctors and dentists was brought fully up to date last year, when the Government implemented the Review Body's recommendations in full. The recommendations which the Review Body have made this year would add some 9 per cent to the present level of expenditure on doctors' and dentists' remuneration, though because the Review Body propose a deferred implementation date for the new level of target average net income for general dental practitioners the net cost in 1981-82 would be 8.3 per cent. The Government considers that, when most groups of public servants other than the police and the Armed Forces are being expected to accept increases in the cost of their remuneration within a cash limit of 6 per cent, it is bound to ask the doctors and dentists to accept a similar limitation. The Review Body's recommendations could be accommodated within cash limits only at the cost of significant compensating reductions in the expenditure on the National Health Service which would entail an unacceptable reduction in the standards of health care. Accordingly it will implement increases for NHS doctors and dentists within an average of 6 per cent. The scales and rates recommended by the Review Body will be scaled down accordingly: proposals will be put to the representatives of the medical and dental professions.

SECRET AND PERSONAL

Top Salaries

5. Last year the Government decided not to implement in full the Top Salaries Review Body's recommendations on the salaries of the judiciary, the higher Civil Service and senior officers of the Armed Forces. In view of that decision the Review Body has reached the conclusion that no useful purpose would be served by its recommending this year new salary levels beyond that which still remain to be implemented from last year. Instead, it has produced an interim report which urges the Government to implement its last recommendations in full and as soon as possible; and has given notice of its intention to submit a comprehensive report by 1 April 1982, containing recommendations on the salary levels which are appropriate at that date.

6. To implement last year's recommendations in full from 1 April 1981 would add about 12 per cent to the salary bill of the groups concerned for 1981-82. The Government believes that it would not be right to increase the salaries of these senior people by more than the amount which has been offered for the non-industrial Civil Service as a whole. The salaries of these groups will accordingly be increased by 7 per cent. This increase will, so far as the higher Civil Service is concerned and others affected by the 6 per cent cash limit are concerned, be accommodated within that limit. The salaries and rates to be implemented are set out in a schedule which is being circulated in the Official Report; so far as the judiciary is concerned, the distribution of the increases has been designed, in consultation with the Review Body, to move towards the relativities recommended by the Review Body's Sub-Committee which has examined those matters. The Review Body will be giving further consideration to the Sub-Committee's findings in its comprehensive report next year.

SECRET AND PERSONAL

Ministers and Members of Parliament

7. Ministers and Members of Parliament are unique in that they still have to receive the third and final stage of the increases recommended for them by the Top Salaries Review Body in 1979. Last year the Government felt compelled to propose, and the House approved, second stage increases which fell short of those recommended by the Review Body; the House also approved revised rates for the third stage, to come into effect in June 1981, which were less than the rates which had been recommended by the Review Body. These were embodied in a Resolution of this House and an Order in Council approved by each House. But my right hon. Friend the Member for Chelmsford, then the Leader of the House, undertook that the Review Body would be asked to review the third stage increase due in 1981, and he said that the Government would implement the results of the third stage review unless there were clear and compelling reasons not to do so.

8. In the event the Review Body has taken the same course with the pay of Ministers and Members of Parliament as with the other groups which come within their remit: it has not recommended new rates for this year, but has urged the implementation in full and as soon as possible of their recommendations for the third stage. It has, however, advised on the increase of the various Parliamentary allowances which are within its remit.

9. The Government proposes that the abated salary rates approved by the House last year to come into effect on 13th June 1981 - which reflected last year's circumstances - should be increased by 6 per cent. This would bring the Parliamentary salary up to £13,250 with effect from 13th June next. The proposed new rates of Ministerial salaries are set out in a schedule which is being circulated in the Official Report. The Government proposes that new rates of Parliamentary allowances should be implemented as proposed by the Review Body.

SECRET AND PERSONAL

10. For Members of Parliament and all Ministers that are outside the Cabinet these increases will just overtake the salary levels recommended by the Top Salaries Review Body in 1980 to come into effect in June 1981. The salaries of Cabinet Ministers and of the Attorney General will still be marginally below, and those for the Prime Minister and the Lord Chancellor still significantly below, those levels. My right hon. Friend the Lord Chancellor and I will draw the same salaries as other Cabinet Ministers, but this is without prejudice to the position that the rates recommended by the Review Body for the Prime Minister, the Lord Chancellor, Cabinet Ministers and the Attorney General are appropriate for their respective offices and will be brought into effect when circumstances permit.

Junior Ministers in the House of Lords

11. In announcing last year's increases in Ministerial salaries, I drew attention to the special problem which arises for Ministers of State, Parliamentary Secretaries and other office holders in the House of Lords from the fact that they do not receive any salary specifically in respect of their Parliamentary duties, and I told the House that the Government proposed to consider how the arrangements for their remuneration should be revised to take account of this problem.

12. The Government now proposes to make arrangements for the Ministerial salaries of Ministers of State, Parliamentary Secretaries and other office holders in the House of Lords to be increased by £3,500 over and above the general increases which I have already described. This addition to their remuneration, in lieu of a Parliamentary salary, is rather less than half the amount of the Parliamentary salary payable to Ministers in the House of Commons. I will, with permission, circulate in the Official Report a note describing the arrangements for giving effect to this proposal.

Implementation

13. The new rates for the Armed Forces (including senior officers), NHS doctors and dentists, the judiciary, and the higher Civil Service will be implemented with effect from 1st April 1981. The House will be invited to approve Resolutions and an Order in Council to ^{implement} ~~implementing~~ the proposals for Members of Parliament, Peers and Ministers.

MINISTERS OF STATE, PARLIAMENTARY SECRETARIES
AND OTHER OFFICEHOLDERS IN THE HOUSE OF LORDS

Note for the Official Report

The Ministerial and Other Salaries Act 1975 gives the Prime Minister discretion to fix the salaries of Ministers of State within a range which, at present extends from £16,250 to £19,300. The Government proposes that from 13th June 1981 this range should extend from £19,775 to £23,275. Ministers of State in the House of Commons, who also draw a Parliamentary salary, will continue to be paid at the bottom of this range; that will give them a salary 6 per cent higher than the third stage increase approved by the House last year. The Prime Minister will exercise her discretion to secure that Ministers of State in the House of Lords are paid at the top of the range. This will give them a Ministerial salary £3,500 higher than that of their counterparts in the House of Commons, who will be drawing a Parliamentary salary of £8,130 which Ministers in the House of Lords do not get.

2. The 1975 Act prescribes a single salary (at present £12,500) for Parliamentary Secretaries, but Section 4(2) of the Act provides that the salaries specified by the Act are maxima, and that lower salaries may be paid. Accordingly the Government proposes that the maximum salary prescribed for Parliamentary Secretaries should be increased to £18,600; that that should be the rate paid to Parliamentary Secretaries in the House of Lords; but that Parliamentary Secretaries in the House of Commons should receive, in addition to their Parliamentary salary, a Ministerial salary of £15,100, which represents an increase of 6 per cent in the rate approved last year to come into effect in June 1981.

3. The Government also proposes that the salaries of Law Officers and Whips in the House of Lords and of the Leader of the Opposition in that House and of the Chairman and Principal Deputy Chairman of Committees should be set £3,500 above the third stage levels as approved last year and increased by 6 per cent. The proposed rates are set out in the schedule circulated in the Official Report.

CONFIDENTIAL
FROM THE PRIVATE SECRETARY



HOUSE OF LORDS,
SW1A 0PW

David Wright Esq.,
Cabinet Office

12th May 1981

Dear David,

R
M

Review Body Reports

Tim Lankester copied to me his minute to you of 11th May, with the Prime Minister's comment on Sir Robert Armstrong's draft Statement. This letter is merely to amplify points which I made on the telephone yesterday to Parry Hilton.

It is true that the Lord Chancellor, in common with the Prime Minister, does not take the rate for the job. However his salary, unlike hers, is made up of such sums drawn from the Consolidated Fund as, together with his salary as Speaker of the House of Lords, will total the current salary of a Cabinet Minister.

There are also discrepancies on the pension front. The Lord Chancellor's pension is governed by the Lord Chancellor's Pension Act 1832, as amended. But it is nevertheless important that the Lord Chancellor should have a notional salary - it is usually equated to that of the Lord Chief Justice - otherwise the pensions of previous Lord Chancellors will be affected by the so-called 'no overtaking' rule.

Like Tim Lankester (to whom I am copying this letter) I leave it to you to advise whether, and if so how, this point should be incorporated in the Statement.

Yours ever
Michael
M. H. Collon

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

MR. WRIGHT

CABINET OFFICE

SF 12.5.81

The Prime Minister was very grateful for Sir Robert Armstrong's minute of 8 May with which he enclosed a draft Statement on the Review Body Reports.

Her one comment on the draft is as follows:

"The rate for the Prime Minister is the rate which, like the Lord Chancellor, I choose to draw. It is not the rate for the job. We should specify the latter because it affects existing rates of pensions which some of those in receipt of pension reminded me of last time."

Can you please advise whether, and if so how, this point can be handled in the Statement.

I am sending a copy of this minute to Michael Collon (Lord Chancellor's Office).

T. P. LANKESTER

SP

11 May 1981

CONFIDENTIAL



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 3620Sir Douglas Wass GCB
Permanent SecretarySir Robert Armstrong KCB CVO
Cabinet Office
Whitehall
LONDON
SW1

8 May 1981

Sir Robert,

Thank you for sending me a copy of your letter of 5 May to Ian Bancroft about the announcement of the Government's decisions on the Review Body Groups. I have a few comments.

Paragraph 3

The last sentence of this paragraph is not quite right. More than one Vote could be affected; and there are other factors besides pay (for example, last year's overspend) which will have to be taken into account in the adjustment to defence cash limits. Any net increase is most unlikely to be equal to the cost of the pay award. I understand that the following revised sentence would be acceptable to Frank Cooper:

"The relevant cash limits will be adjusted to accommodate this and other possible changes".

Paragraph 4
Lines 10 and 11

The police, as well as the Armed Forces, are not being held within a 6% pay factor. They ought to be mentioned. Alternatively, it might be better to omit any specific mention and simply refer to "most" or "nearly all" other groups of public servants.

Lines 14 and following

Although it is not a Treasury point, the last half of this sentence seems rather obscure. Would it not get the point across better if the sentence ended at "National Health Service", and a new sentence were inserted on some such lines as:

"This would entail an unacceptable reduction in the standards of health care".

Paragraph 6

The second sentence of this paragraph is not really true, since the amounts involved are trivial in relation to the cash limit totals. It would be simplest to omit this sentence and the word "accordingly" in the next. (A justification is still provided in what follows.)

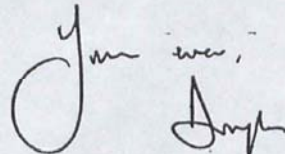
Paragraph 9

As drafted at present the paragraph may give a misleading impression. I would prefer that the first sentence be amended to read:

"The Government proposes to the House that the abated rates approved last year to come into effect on 13 June 1981 - which reflected last year's circumstances - should be increased by 6 per cent."

and that the third sentence of the paragraph be deleted.

I am sending copies of this letter to the other recipients of yours.

A handwritten signature in dark ink, appearing to read 'Douglas Wass', with a large, stylized initial 'D'.

DOUGLAS WASS

Prime Minister

I have only one comment.
The note for the P.M. is that
note which, like the House of Commons

You will no doubt want to
look at the draft statement
again next week. But are
you broadly content?

Ref. A04849
PRIME MINISTER

I choose to draw. It is
not the note for the P.M.
We should ideally like
letter because it affects civil
Review Body Reports

Assuming you have finally
decided to make an oral
statement on Friday, I will
get notes for supplementaries.

You asked me to put in hand the preparation of the announcement of the
Cabinet's decisions on the pay of the Armed Forces, National Health Service
Doctors and Dentists, the top salaries groups and Ministers and Members of
Parliament.

TL
8/5

--- 2. The attached draft has been cleared with the Departments concerned.

--- 3. I also attach the schedules which show the new rates for Ministers and
other office holders and for the TSRB groups. These will be for circulation in
the Official Report. I understand that it will not be possible to include the new
rates for Doctors and Dentists because these will have to be the subject of a
consultation with the professions and that consultation cannot take place until
after your announcement.

now
received
and in
your box.
TL

4. The draft assumes that you will have received the TSRB report on MPs
and Ministers and that arrangements can be made for it to be published in time.
It may not be necessary to publish it as a White Paper: it may be short enough
to circulate in the Official Report. We hope to have the text early next week.

5. In Cabinet yesterday you spoke of making the announcement on Friday,
15 May as a routine answer to an arranged Parliamentary question. There are,
of course, precedents for announcing decisions on individual Review Body reports
in that way; but it is arguable that an announcement which covers reports from
all the Review Bodies and does not accept all of them in full would be better made
by means of an oral statement. If you decided that that was inevitable, pre-
sumably the announcement would be put off until Monday, 18 May or Tuesday,
19 May.

6. If the announcement is to be made by way of an oral statement, you will
need notes for supplementaries; these will need to be prepared by the
Departments concerned.

Monday can't be done
because of Brighton.
mf



7. I am sending copies of this minute and the draft statement (but not the schedules) to the Lord Chancellor, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Secretary of State for Defence, the Lord President of the Council and the Secretary of State for Social Services.

REA

ROBERT ARMSTRONG

8 May 1981

CONFIDENTIAL



REVIEW BODY REPORTS

Draft of an Announcement

I have received Reports from the Review Body on Armed Forces Pay, the Review Body on Doctors' and Dentists' Remuneration, and from the Review Body on Top Salaries both on top salaries and on the remuneration of Ministers and Members of Parliament. All these Reports are being published today, and copies are available in the Vote Office.

2. I should like to inform the House of the Government's decisions and proposals on the recommendations in these Reports.



The Armed Forces

3. The Review Body on Armed Forces Pay, which covers all combatant ranks up to and including Brigadier, has made its recommendations against a background of constraints on public expenditure, but also in the light of the Government's confirmed commitment to keep the pay of members of the Armed Forces at levels comparable with those of their civilian counterparts. The Government stands by that commitment, and will accordingly implement the Review Body's recommendations. These represent an increase of 10.3 per cent, or 9.4 per cent net, after taking account of increases in food and accommodation charges. The relevant cash limits will be adjusted to accommodate this increase.

NHS Doctors and Dentists

4. The pay of NHS doctors and dentists was brought fully up to date last year, when the Government implemented the Review Body's recommendations in full. The recommendations which the Review Body have made this year would add some 9 per cent to the present level of expenditure on doctors' and dentists' remuneration, though because the Review Body propose a deferred implementation date for the new level of target average net income for general dental practitioners the net cost in 1981-82 would be 8.3 per cent. The Government considers that, when most groups of public servants other than the police and the Armed Forces are being expected to accept increases in the cost of their remuneration within a cash limit of 6 per cent, it is bound to ask the doctors and dentists to accept a similar limitation. The Review Body's recommendations could be accommodated within cash limits only at the cost of significant compensating reductions in the expenditure on the National Health Service which would entail an unacceptable reduction in the standards of health care. Accordingly it will implement increases for NHS doctors and dentists within an average of 6 per cent. The scales and rates recommended by the Review Body will be scaled down accordingly: proposals will be put to the representatives of the medical and dental professions.

SECRET AND PERSONAL

Top Salaries

5. Last year the Government decided not to implement in full the Top Salaries Review Body's recommendations on the salaries of the judiciary, the higher Civil Service and senior officers of the Armed Forces. In view of that decision the Review Body has reached the conclusion that no useful purpose would be served by its recommending this year new salary levels beyond that which still remain to be implemented from last year. Instead, it has produced an interim report which urges the Government to implement its last recommendations in full and as soon as possible; and has given notice of its intention to submit a comprehensive report by 1 April 1982, containing recommendations on the salary levels which are appropriate at that date.

6. The Review Body points out that to implement last year's recommendations in full from 1 April 1981 would add about 12 per cent to the salary bill of the groups concerned for 1981-82. The Government believes that it would not be right to increase the salaries of these senior people by more than the amount which has been offered for the non-industrial Civil Service as a whole. The salaries of these groups will accordingly be increased by 7 per cent. This increase will, so far as the higher Civil Service is concerned and others affected by the 6 per cent cash limit are concerned, be accommodated within that limit. The salaries and rates to be implemented are set out in a schedule which is being circulated in the Official Report; so far as the judiciary is concerned, the distribution of the increases has been designed, in consultation with the Review Body, to move towards the relativities recommended by the Review Body's Sub-Committee which has examined those matters. The Review Body will be giving further consideration to the Sub-Committee's findings in its comprehensive report next year.

SECRET AND PERSONAL

Ministers and Members of Parliament

7. Ministers and Members of Parliament are unique in that they still have to receive the third and final stage of the increases recommended for them by the Top Salaries Review Body in 1979. Last year the Government felt compelled to propose, and the House approved, second stage increases which fell short of those recommended by the Review Body; the House also approved revised rates for the third stage, to come into effect in June 1981, which were less than the rates which had been recommended by the Review Body. These were embodied in a Resolution of this House and an Order in Council approved by each House. But my right hon. Friend the Member for Chelmsford, then the Leader of the House, undertook that the Review Body would be asked to review the third stage increase due in 1981, and he said that the Government would implement the results of the third stage review unless there were clear and compelling reasons not to do so.

8. In the event the Review Body has taken the same course with the pay of Ministers and Members of Parliament as with the other groups which come within their remit: it has not recommended new rates for this year, but has urged the implementation in full and as soon as possible of their recommendations for the third stage. It has, however, advised on the increase of the various Parliamentary allowances which are within its remit.

9. The Government proposes that the abated salary rates approved by the House last year to come into effect on 13th June 1981 - which reflected last year's circumstances - should be increased by 6 per cent. This would bring the Parliamentary salary up to £13,950 with effect from 13th June next. The proposed new rates of Ministerial salaries are set out in a schedule which is being circulated in the Official Report. The Government proposes that new rates of Parliamentary allowances should be implemented as proposed by the Review Body.

SECRET AND PERSONAL

Junior Ministers in the House of Lords

10. When I announced last year's increases in Ministerial salaries, I drew attention to the special problem which arises for Ministers of State and for Parliamentary Secretaries in the House of Lords, from the fact that they do not receive any salary specifically in respect of their Parliamentary duties. I told the House that the Government proposed to consider how the arrangements for their remuneration should be revised to take account of this problem.

11. The Ministerial and Other Salaries Act 1975 gives me discretion to fix the salaries of Ministers of State within a range which, at present extends from £16,250 to £19,300. The Government proposes that from 13th June 1981 this range should extend from £19,775 to £23,275. Ministers of State in the House of Commons, who also draw a Parliamentary salary, will continue to be paid at the bottom of this range; that will give them a salary 6 per cent higher than the third stage increase approved by the House last year. I propose to exercise my discretion to secure that Ministers of State in the House of Lords are paid at the top of the range. This will give them a Ministerial salary £3,500 higher than that of their counterparts in the House of Commons, who will ^{be} drawing a Parliamentary salary of £8,130 which Ministers in the House of Lords do not ~~get~~ *get some remuneration*.

12. So far as Parliamentary Secretaries are concerned, the 1975 Act prescribes a single salary (at present £12,500), but Section 4(2) of the Act provides that the salaries specified by the Act are maxima, and that lower salaries may be paid. Accordingly the Government is proposing that the maximum salary prescribed for Parliamentary Secretaries should be increased to £18,600. That will be the rate paid to Parliamentary Secretaries in the House of Lords; but the Government intends that Parliamentary Secretaries in the House of Commons should receive, in addition to their Parliamentary salary, a Ministerial salary of £15,100, which represents an increase of 6 per cent in the rate approved last year to come into effect in June 1981.

13. The Government also proposes that the salaries of Law Officers and Whips in the House of Lords and of the Leader of the Opposition in that House and of the Chairmen and Principal Deputy Chairmen of Committees should be set £3,500 above the third stage levels as approved last year and increased by 6 per cent. The proposed rates are set out in the schedule to be circulated in the Official Report.



SECRET AND PERSONAL

Implementation

14. The new rates for the Armed Forces (including senior officers), NHS doctors and dentists, the judiciary, and the higher Civil Service will be implemented with effect from 1st April 1981. The House will be invited to approve Resolutions and an Order in Council implementing the proposals for Members of Parliament, Peers and of Ministers.

SECRET AND PERSONAL

CONFIDENTIAL

Exam Pd



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~9307022~~ 218 2111/3

MO 4/4

8th May 1981

Dear Tim, 28/5

REVIEW BODY REPORTS: PUBLICATION

M I have seen Jim Buckley's letter to you of 5th May giving the Lord President's view of the best timing for the publication of these reports. From the point of view of disseminating the information to units of the Forces before the weekend, publication on 14th May would have considerable advantages for us, and if this raises no difficulties for the Lord President, we would much prefer it. The AFPRB's report will be ready for publication on 13th May (pm).

I am copying this to Jim Buckley (CSD); and to John Wiggins (HM Treasury), David Heyhoe (Chancellor of the Duchy's Office), Richard Dykes (Employment) and Don Brereton (DHSS); and to David Wright (Cabinet Office).

Yours ever
Brian Norbury

(B M NORBURY)

T P Lankester Esq

CONFIDENTIAL

CONFIDENTIAL



MINISTRY OF DEFENCE

Main Building, Whitehall, London SW1A 2HB

Telephone (Direct Dialling) 01-218 2193

(Switchboard) 01-218 9000

PERMANENT UNDER-SECRETARY OF STATE: SIR FRANK COOPER CCB, CMG.
PUS/81/937
3/19/14

Sir Robert Armstrong KCB CVO
Cabinet Office
Whitehall
LONDON SW1

8 May 1981

Dear Robert

I have seen a copy of your letter of 5 May to Ian Bancroft about the announcement of the Cabinet's decisions on pay. I have no comments to propose on the draft form of the announcement; we agree with the Treasury's amendment to the last sentence of paragraph 3 on the pay of the Armed Forces.

2. I am copying this to those who received your letter.

*Yours in
Frank Cooper*

FRANK COOPER

CONFIDENTIAL

C A Whitmore Esq



With
the Compliments of
Sir Frank Cooper, G.C.B., C.M.G.
Permanent Under-Secretary of State

MINISTRY OF DEFENCE
SW1A 2HB



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Sir Robert Armstrong KCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

1. M. Henderson 4a

To see
I am not sure I
understand the point or of how.
Do it that the sums of money
involved are so small relatively
that they can be accommodated
within the cash limit? But
if that is so, I don't understand
7 May 1981 the problem with
'a part of the judiciary'

My dear Robert, (2)

Yes. I assume
the point about the judges
is that there is a separate
small cash limit for one
part of their group.

REVIEW BODY REPORTS

Thank you for your letter of 5 May with which you enclosed a draft announcement of the Government's decision on the Review Body reports. I note that you plan to give Edwin Plowden the opportunity to comment on the reference to the TSRB's views on the distribution of the increase for the judiciary. In view of his letter of 28 April I think this is important.

X I have only one major comment on your draft. In paragraph 6 it states that an increase of 12% for the TSRB groups could not be accommodated within a cash limit of 6%. This is only true in relation to a part of the judiciary. Cash limits are not the main reason why the TSRB groups are being limited to a 7% increase and to imply that they are, will only cause bad feeling among senior civil servants and officers in the Armed Forces who will know full well why they are really being held down. I suggest that the second sentence of paragraph 6 should be deleted and that we should say instead:

"However there is a continuing need for restraint in public sector pay increases."

My more detailed comments are as follows:

Paragraph 3: I understand, of course, your reasons for mentioning only the net increase of 9.4% but I think it is dangerous ground. All other groups could claim that in net terms, after allowing for cost of living increases, they are getting very little, if any, extra money. We do not want to encourage claims for

SECRET AND PERSONAL

increases in net terms. I suggest that we mention the gross effect of the AFPRB's recommendations (10.3%) as well as the net cost. This figure will in any case become common knowledge.

In the final sentence I do not think that the phrase "the cash limit on the relevant vote" is quite correct as I understand that MOD have in effect a single cash limit covering all their Votes; however no doubt they will advise you on this point.

In the penultimate line "changes" should read "charges".

Paragraph 5: The word "full" occurs rather a lot in the final sentence. I suggest that in the third line from the end we talk of a "comprehensive report" and that in the line following "full" is simply deleted.

Paragraph 7: The first sentence is not quite correct. The TSRB recommendations for MPs and Ministers whose staged implementation is not yet complete were made in June 1979, after the present Government came into office. I suggest the following redraft:

"Ministers and Members of Parliament are unique in that they still have to receive the final stage of increases accepted by the Government in the past."

Paragraph 8: Penultimate line: "is" should be "are".

Paragraph 11: The salary range for Ministers of State after the implementation of the third stage will be £18,650 to £21,900. Increased by 6% this gives a range of £19,775 to £23,225, not £23,275 as stated in the second sentence. £23,275 arises because it is £3,500 more than the bottom of the range. No doubt Cabinet will wish to make £23,275 the top of the range in order to give Lords Ministers a £3,500 lead over those in the Commons, but that is a separate point. Either paragraph 11 ought to be recast somewhat to make this clear or, more simply, we will have to say in the first sentence of paragraph 9 that the Government proposes an increase of about 6% (the increase from £21,900 to £23,275 is in fact 6.3%).

Paragraph 14: Increases in the MPs' secretarial allowance and in the Peers' expenses allowance will also require

SECRET AND PERSONAL

SECRET AND PERSONAL

Resolutions. I suggest that the final sentence should read:

"The House will be invited to approve Resolutions and an Order in Council implementing the proposals for Members of Parliament, Peers and Ministers."

The date of 13 June has no significance for the allowances.

I attach, as you requested, schedules showing the new rates for senior civil servants and officers in the Armed Forces, and for Ministers, including junior Ministers in the Lords. I am leaving it to Wilfrid Bourne to deal with the judiciary. The rates for Ministers are those set out under "Option D" in the annex to C(81)13. The figures for civil servants and officers have not been rounded. Roundings produce increases diverging from a straight 7% and are not, in my view, appropriate for a settlement based on a flat rate increase. The rate for the Medical Major General etc is in square brackets because MOD have not yet decided whether it should be promulgated in advance of decisions on the Medical Brigadier (for whom the AFPRB still have to make recommendations).

I am sending copies of this letter to the recipients of yours.

*Yours ever,
Ian*

IAN BANCROFT

SECRET AND PERSONAL

MINISTERS AND OTHER OFFICE HOLDERS

Proposed
New Rates

	£
Prime Minister	27,825
Lord Chancellor	27,825
Mr Speaker	29,150
Cabinet Ministers	27,825
Ministers of State (Commons)	19,775
Ministers of State (Lords)	23,275
Parliamentary Secretaries (Commons)	15,100
Parliamentary Secretaries (Lords)	18,600
Attorney General	29,525
Solicitor General	24,375
Lord Advocate	27,875
Solicitor General for Scotland	20,925

HOUSE OF COMMONS

Leader of the Opposition	25,550
Parliamentary Secretary to The Treasury (Chief Whip)	23,225
Deputy Chief Whip	19,775
Opposition Chief Whip	19,775
Government Whips	12,775
Opposition Deputy Chief Whip	12,775
Chairman, Ways and Means	19,775
Deputy Chairman, Ways and Means	17,425

HOUSE OF LORDS

Chief Whip	23,275
Deputy Chief Whip	18,600
Government Whips	16,275

HOUSE OF LORDS (Continued)	<u>Proposed New rates</u> £
Opposition Chief Whip	16,275
Chairman of Committees	23,275
Principal Deputy Chairman of Committees	20,925
Leader of the Opposition in the House of Lords	18,600
<u>MINISTERS PARLIAMENTARY SALARY</u>	8,130

SENIOR GRADES OF THE HIGHER CIVIL SERVICENew Salary rates

	£
Head of Home Civil Service)	
Permanent Secretary to the Treasury)	35,845
Secretary to the Cabinet)	
Permanent Secretary	33,170
Second Permanent Secretary	30,495
Deputy Secretary	26,215
Under Secretary	21,935

SENIOR OFFICERS IN THE ARMED FORCES

Admiral of the Fleet)	
Field Marshal)	35,845
Marshal of the Royal Air Force)	
Admiral)	
General)	33,170
Air Chief Marshal)	
Vice Admiral)	
Lieutenant General)	26,215
Air Marshal)	
Medical Rear Admiral)	
Medical Major General)	23,005
Medical Air Vice Marshal)	
Rear Admiral)	
Major General)	21,935
Air Vice Marshal)	

HOUSE OF LORDS,
S.W.1

*With the Compliments of the
Permanent Secretary
to the Lord Chancellor*



HOUSE OF LORDS,
SW1A 0PW

From Sir Wilfrid Bourne, K.C.B., Q.C.

6th May 1981

Dear Robert,

R
6/5

Review Bodies' Reports

In your letter of the 5th[✓] May, you asked for comments on the draft statement annexed to that letter and for sponsoring departments' schedules of figures for the groups with which they are concerned.

I have one point on the draft statement: in paragraph 6 on page 4, the draft states that the increase "will, so far as the higher Civil Service is concerned, be accommodated within the cash limit of 6%". The implication is that outside the higher Civil Service it will not be so accommodated. I do not know the position as far as the brass hats are concerned; for the judiciary, as I understand it, those salaries which are payable out of the Consolidated Fund are not subject to any cash limits, but those that are not so payable are subject to the relevant departmental cash limit. So far as this Department is concerned, the latter category includes salaries payable to the Masters and Registrars of the Supreme Court and the County Court Registrars. There may also be some Scottish equivalents.

You might, therefore, care to consider amending the draft by making the relevant sentence read:-

"..... so far as the higher Civil Service and others affected by the 6% cash limit are concerned, be accommodated within that limit."

Sir Robert Armstrong, K.C.B., C.V.O.

My Departmental Schedule is, in effect, the annex to Lord Plowden's letter to you of the 28th April, to which there is nothing to add. You may care, however, to check with the Scots that this also goes for them.

I am sending copies of this letter to those to whom you have sent copies of your letter of the 5th May.

Yours sincerely,
J. W. Bourne

J. W. BOURNE

MR. LANKESTER

pm scan

Review Body Reports - Publication

12

I would like to make the following points:

6/5

- i. I hope we shall publish all three reports simultaneously and fully explain our reasons for the treatment of their recommendations including, as necessary, why the treatment is different in one case from another.
- ii. As a minimum, set out this explanation in a Written Answer; it is for consideration whether we can get away with a Written Answer rather than an Oral Statement.
- iii. We shall find it easier to get away with a Written Answer if we publish early on Friday - i.e. in the morning. I can well understand CSD's desire not to bring out the reports in the middle of a union conference - hence Friday publication. But we shall have serious difficulty with a Written Answer if publication is delayed, cynically as it will be seen, to Friday afternoon.
- iv. As you know, I dislike publication on Friday because it is viewed very suspiciously and critically by the press. We can, however, mitigate that criticism if we publish early in the day.

Ingham

B. INGHAM
6 May, 1981

ci

SECRET

u/pam



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

Tim Lankester
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

12
5/5

5 May 1981

Dear Tim,

REVIEW BODY REPORTS: PUBLICATION

The Lord President has considered the best timing, from the Civil Service point of view, of the publication of these reports. In his view they would be best published on Friday, 15 May.

I am copying this to John Wiggins (Treasury), David Heyhoe (Chancellor of the Duchy), Richard Dykes (Employment), Brian Norbury (Defence) and Don Brereton (DHSS) and to David Wright in Sir Robert Armstrong's Office.

Yours sincerely,
Jim Buckley.

J BUCKLEY

SECRET



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

C. A. Whitmore, Esq

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319

Mr. ~~Harman~~Mr. ~~Patten~~

to me.

I do not propose

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref: A04813

5th May 1981

MHL
6.4

The Prime Minister has asked me to put in hand the preparation of the announcement of the Cabinet's decisions on 30th April on the pay of the Armed Forces, National Health Service Doctors and Dentists, the top salaries groups and Ministers and Members of Parliament. She has said that she would like the announcement to be as short as possible, and confined to what is essential for the purpose of announcing the decisions and making the reasons for them clear.

I attach a draft herewith; I should welcome comments on it. I should draw attention to the following points:

- (a) On Armed Forces' pay, the draft states that the cash limit on the vote will be adjusted to accommodate the pay increase.
- (b) On dentists' target average net income, the draft assumes that the marginal adjustment agreed by the Cabinet will take the form of implementing the new rate with effect from a date earlier than 1st October 1981.
- (c) On the distribution of 7 per cent for the judiciary, I think that the text of the draft conforms with the requirement in the fourth paragraph of Edwin Plowden's letter of 28th April, but I shall have to give him an opportunity to comment on it.
- (d) The draft assumes that the Prime Minister has received the Review Body's report on the remuneration of Ministers and Members of Parliament. Edwin Plowden knows that the Government would now like to have this quickly, and will get it in as soon as possible after 10th May.
- (e) The draft assumes that the Cabinet confirms its provisional decision in favour of Option D in C(81) 13 for Ministers and Members of Parliament, and decides to announce its decisions on that and on the pay of junior Ministers in the House of Lords at the same time as the decisions on the other Review Body Reports. If the Cabinet decided to postpone the announcement on Ministers and MPs, the sections in square brackets would need to be deleted.

/(f)

Sir Ian Bancroft, GCB

SECRET AND PERSONAL

SECRET AND PERSONAL

- (f) The draft refers at various places (paragraphs 4, 6, 9 and 13) to schedules of rates and scales to be published in the Official Report. I am leaving it to "sponsoring" Departments concerned to prepare the schedules for the groups with which they are concerned. I assume that in applying percentage increases rates will be rounded up or down to the nearest appropriate figure. I should be grateful if those concerned could let me have their schedules with their comments on the draft.

As to the form of the announcement, the Cabinet was inclined to the view that it should take the form of a Written Answer to an arranged Parliamentary Question. There are of course precedents for announcing the decisions on individual Review Body Reports in that way; but it is arguable that an announcement which covers Reports from all the Review Bodies and does not accept all of them in full would be better made by means of an oral statement. That is something which the Prime Minister will want to decide when she sees the final text of the announcement.

As to timing, the Cabinet favoured an announcement, simultaneously with the publication of the Review Body Reports, in the middle of May. The precise date will depend partly on when the Reports can be ready for publication and partly on the Lord President's advice in the light of the timetable for the Civil Service union conferences.

I am sending copies of this letter and of the draft to Wilfrid Bourne, Douglas Wass, Frank Cooper and Patrick Nairne; to David Heyhoe in the Chancellor of the Duchy's Office, and to Clive Whitmore for information.

ROBERT ARMSTRONG

SECRET AND PERSONAL

SECRET AND PERSONAL

REVIEW BODY REPORTS

Draft of an Announcement

I have received Reports from the Review Body on Armed Forces Pay, the Review Body on Doctors' and Dentists' Remuneration, and from the Review Body on Top Salaries [both on top salaries and on the remuneration of Ministers and Members of Parliament]. All these Reports are being published today, and copies are available in the Vote Office.

2. I should like to inform the House of the Government's decisions and proposals on the recommendations in these Reports.

SECRET AND PERSONAL

SECRET AND PERSONAL

The Armed Forces

3. The Review Body on Armed Forces Pay, which covers all combatant ranks up to and including Brigadier, has made its recommendations against a background of constraints on public expenditure, but also in the light of the Government's confirmed commitment to keep the pay of members of the Armed Forces at levels comparable with those of their civilian counterparts. The Government stands by that commitment, and will accordingly implement the Review Body's recommendations, the net cost of which, taking account of increases in food and accommodation changes, represents an increase of 9.4 per cent. The cash limit on the relevant vote will be adjusted to accommodate this increase.

SECRET AND PERSONAL

NHS Doctors and Dentists

4. The pay of NHS doctors and dentists was brought fully up to date last year, when the Government implemented the Review Body's recommendations in full. The recommendations which the Review Body have made this year would add some 9 per cent to the present level of expenditure on doctors' and dentists' remuneration, though because the Review Body propose a deferred implementation date for the new level of target average net income for general dental practitioners the net cost in 1981-1982 would be 8.3 per cent. The Government considers that, when other groups of public servants (other than the Armed Forces) are being expected to accept increases in the cost of their remuneration within a cash limit of 6 per cent, it is bound to ask the doctors and dentists to accept a similar limitation. The Review Body's recommendations could be accommodated within a 6 per cent cash limit only at the cost of significant compensating reductions in the expenditure on the National Health Service which the Government believes would be no less unacceptable to the doctors and dentists themselves than they would be to the Government and to the public. Accordingly it will implement increases for NHS doctors and dentists within an average of 6 per cent. In view of the fact that the Review Body's recommendations on net income are not to be implemented in full on this occasion, the Government will bring the new level of target average net income for general dental practitioners into effect from a date earlier than that recommended by the Review Body. The scales and rates to be implemented are set out in a schedule which is being circulated in the Official Report.

Top Salaries

5. Last year the Government decided not to implement in full the Top Salaries Review Body's recommendations on the salaries of the judiciary, the higher Civil Service and senior officers of the Armed Forces. In view of that decision the Review Body has reached the conclusion that no useful purpose would be served by its recommending this year new salary levels beyond that which still remain to be implemented from last year. Instead, it urges the Government to implement its last recommendations in full and as soon as possible; and has given notice of its intention to submit a full report by 1 April 1982, containing full recommendations on the salary levels which are appropriate at that date.

6. To implement last year's recommendations in full from 1 April 1982 would add about 12 per cent to the salary bill of the groups concerned for 1981-82. An increase of this size could not be accommodated within a cash limit of 6 per cent. Accordingly the Government has decided to increase the salaries of these groups by 7 per cent. This is the amount of the increase which the Government has offered for the non-industrial Civil Service as a whole, and like that increase, it will, so far as the higher Civil Service is concerned, be accommodated within the cash limit of 6 per cent. The salaries and rates to be implemented are set out in a schedule which is being circulated in the Official Report; so far as the judiciary is concerned, the distribution of the increases has been designed, in consultation with the Review Body, to reflect the ¹⁹⁸¹selectivities recommended by the Review Body's Sub-Committee which has examined those matters.

Ministers and Members of Parliament

7. Ministers and Members of Parliament are unique in that they still have to receive the third stage of the increases recommended for them by the Top Salaries Review Body before this Government came to office. Last year the Government felt compelled to propose, and the House approved, second stage increases which fell short of those recommended by the Review Body; The House also approved revised rates to come into effect in June 1981, which were also less than the rates recommended by the Review Body for that date. These were embodied in a Resolution of this House and an Order in Council approved by the House. But my right hon. Friend the Member for Chelmsford, then the Leader of the House, undertook that the Review Body would be asked to review the third stage increase due in 1981, and he said that the Government would implement the results of the third stage review unless there were clear and compelling reasons not to do so.

8. In the event the Review Body has taken the same course with the pay of Ministers and Members of Parliament as with the other groups which come within their remit: it has not recommended new rates for this year, but has urged the implementation in full and as soon as possible of their recommendations for the third stage. ^{It has} ~~They have~~, however, advised on the increase of the various Parliamentary allowances which ^{is} ~~are~~ within ^{the} ~~their~~ remit.

9. The Government proposes to the House that the salary rates approved last year to come into effect on 13 June 1981 should be increased by 6 per cent. This would bring the Parliamentary salary up to £13,950 with effect from 13 June next. This compares with the figure of £13,750, which the Review Body recommended last year to come into effect in June 1981. The proposed new rates ^{of} ~~in~~ Ministerial salaries are set out in a schedule which is being circulated in the Official Report. The Government proposes that new rates of Parliamentary allowances should be implemented as proposed by the Review Body.

Junior Ministers in the House of Lords

10. When I announced last year's increases in Ministerial salaries, I drew attention to the special problem which arises for Ministers of State and for Parliamentary Secretaries in the House of Lords from the fact that they do not receive any salary specifically in respect of their Parliamentary duties. I told the House that the Government proposed to consider how the arrangements for their remuneration should be revised to take account of this problem.

11. The Ministerial and Other Salaries Act 1975 gives me discretion to fix the salaries of Ministers of State within a range which, at present extends from £16,250 to £19,300. Under the proposals that I have just described, from 13 June 1981, this range will extend from £19,775 to £23,275. Ministers of State in the House of Commons, who also draw a Parliamentary salary, will continue to be paid at the bottom of this range. I propose to exercise my discretion to secure that Ministers of State in the House of Lords are paid at the top of it. This will give them a Ministerial salary £3,500 higher than that of their counterparts in the House of Commons, who will of course be drawing a Parliamentary salary of £8,130 which Ministers in the House of Lords do not get.

12. So far as Parliamentary Secretaries are concerned, the 1975 Act prescribes a single salary (at present £12,500), but Section 4(2) of the Act provides that the salaries specified by the Act are maxima, and that lower salaries may be paid. Accordingly the Government is proposing that the maximum salary prescribed for Parliamentary Secretaries should be increased to £18,600. That will be the rate paid to Parliamentary Secretaries in the House of Lords; but the Government intends that Parliamentary Secretaries in the House of Commons should receive, in addition to their Parliamentary salary, a Ministerial salary of £15,100, which represents an increase of 6 per cent in the rate approved last year to come into effect in June 1981.

SECRET AND PERSONAL

13. The Government also proposes that the salaries of Law Officers, other office holders and Whips in the House of Lords should be set £3,500 above the third stage levels as approved last year and increased by 6 per cent. The proposed rates are set out in the schedule to be circulated in the Official Report.]

Implementation

14. The new rates for the Armed Forces (including senior officers), NHS doctors and dentists, the judiciary, and the higher Civil Service will be implemented with effect from 1 April 1981. [The House will be invited to approve a Resolution and an Order in Council implementing the increases proposed in the remuneration of Members of Parliament and of Ministers with effect from 13 June 1981.]

CONFIDENTIAL

PRIME MINISTER

CABINET, 30 APRIL : REVIEW BODIES

I am sure that from the point of view of our general approach to public sector pay the recommendations of Lord Soames, Mr. Nott and Mr. Jenkin on the TSRB, AFPRB and DDRB respectively are right. But Cabinet ought to look at the consequences for next year.

TSRB

However strong the case for now implementing last year's recommendations of the TSRB, so as to reduce next year's problem, to offer anything more than 7% would make it much harder to settle for 7% this year with the rest of the Civil Service. To offer only 6% to the TSRB groups would be unfair, given the 12½% shortfall on last year's recommendations. So 7% is right.

The TSRB have warned that they will submit a "full report" next year. Its recommendations are bound to be embarrassingly high. That is a further reason for including the TSRB groups in any inquiry into Civil Service pay.

AFPRB

Mr. Nott does not argue the case for acceptance of the AFPRB recommendations; given the strength of the Government's commitment to them, and the fact that the net cost can be presented as being in single figures even though some of the pay increases are much higher, that case is overwhelming.

Acceptance of the AFPRB recommendation will make it harder to settle for 7% with the civil servants; but since the decision is bound to get out there is no point in trying to hold it back until the Civil Service dispute is over. It would however be useful to make it clear in announcing the decision that no similar commitment exists for next year's AFPRB.

/ DDRB

CONFIDENTIAL

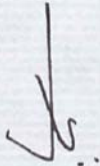
CONFIDENTIAL

- 2 -

DDRB

Rejection of the DDRB's recommended 9% pay rise across the board is perhaps more controversial, given the DDRB's more independent role. But the doctors and dentists did very well in the last two years, and the rest of the health service is being asked to settle within the 6% cash limit. Six per cent for doctors and dentists will also considerably help the climate for a settlement with the nurses and the civil servants. For that reason an announcement of the Government's decision should not be too long delayed.

There must of course be no question of giving the DDRB any assurance about the way in which their reports will be dealt with in the future. Reconciliation of the DDRB system with cash limits needs further examination.



J.M.M. VEREKER

29 April 1981

CONFIDENTIAL



SECRET

PRIME MINISTER

The Review Body Reports

(C(81) 16 - 19 and the Lord Chancellor's letter of 27th April to the Chancellor of the Exchequer: C(81) 13 and my minute of 28th April to Mr. Whitmore are also relevant)

BACKGROUND

The Reports of the three Review Bodies (Top Salaries, Doctors and Dentists and Armed Forces) have been circulated to colleagues under cover of C(81) 16. In considering them the Cabinet will also need to look across to the problems of the pay of Members of Parliament and Ministers (the record of the last discussion of which I attach a copy), to the current pay dispute in the Civil Service, and to the stalled negotiations on Nurses' pay.

Red. Folders →
Returned to
Cabinet
Office

2. The three new Review Body Reports can be briefly summarised as follows:-

- (a) TSRB 16: makes no new recommendations but urges the Government to implement the salary levels they proposed last year as appropriate from 1st April 1980 for the Judiciary, senior Civil Servants and the senior ranks of the Armed Forces. The actual percentage pay increases needed to achieve this from current salary levels are set out in the table on pages 11, 12 and 13 of the Report. They range from 7.5 to 15.4 per cent and average 12 per cent. The Report also announces that it is the Review Body's intention to submit a full report by 1st April 1982 containing "full recommendations on the salary levels which are appropriate at that date". In his letter of 28th April (attach to my minute of that date) Lord Plowden has set out the TSRB's views on how an increase of 7 per cent should be distributed. Either 6 or 7 per cent would still leave these groups on salary levels below those recommended for 1st April 1980.

SECRET

- (b) AFPRB 10: the Report states (in paragraph 103) that their recommendations involve an average increase of 10.3 per cent over present rates and of 9.4 per cent when increased charges for food and accommodation are taken into account. These recommendations have been arrived at by the Review Body's normal, and very detailed, processes of comparability and are net of a much increased deduction for the value of Armed Forces' pensions (11 per cent). The resulting recommended pay rates for service men and women cover a wide span and range from 8 per cent to 10½ per cent for Corporals and below, 10 per cent to 13½ per cent for Warrant Officers and senior non-commissioned officers, and 12½ per cent to 14.9 per cent for commissioned officers. The recommended increase for Brigadiers (the highest rank covered by the AFPRB) is 14.5 per cent.
- (c) DDRB 11: the Report recommends increases of about 9 per cent across the board though a proposed recoupment of over-payments to Dentists would reduce the cost of implementing their full recommendations down to 8.3 per cent.
3. The position on the three other related groups (MPs and Ministers, the non-industrial Civil Service and the Nurses) is as follows:-
- (a) MPs and Ministers: both MPs and Ministers will automatically receive, in June, the "third stage" pay increases agreed last year. In the case of MPs, this increase is worth 11.9 per cent, and would take the salary from £11,750 to £13,150. Early in April the Lord President and the Chancellor of the Duchy recommended to Cabinet (in C(81) 13) that both groups should receive this year the third stage plus 6 per cent (option D), which would give a salary 18.7 per cent above that now in payment. In most, though not all, cases (Cabinet Ministers being the main exception) option D would bring this year's salaries slightly above the levels proposed by TSRB last year as appropriate for 1st April 1980. Cabinet Ministers would however be 2.4 per cent below the TSRB 15 recommended rates.

-2-

SECRET

SECRET

- (b) The non-industrial civil service have been offered and have so far refused 7 per cent from 1st April 1981. With the exception of the TSRB grades and the Assistant Secretaries and Senior Principals, all non-industrial civil servants are now receiving the full pay research rates appropriate to 1st April 1980. There are some signs that the Civil Service unions are concentrating more of their attention on the size of the 1981 increase. The Government has not yet committed itself to binding arbitration in 1982 but such a commitment may be part of the final package.
- (c) Nurses: the Nurses have been offered and refused 6 per cent this year. They are waiting to see what the Government offers the Doctors and Dentists before taking their negotiations further. The strong assumption is that they will not be prepared to settle for less than the Doctors and Dentists receive. The Nurses fared worse than the Doctors last year, and a sense of grievance remains from last year's settlement.

4. The Chancellor of the Exchequer held a private meeting yesterday with the Ministers primarily concerned with the Review Body Reports and with the Lord Chancellor. I understand that the papers now submitted to Cabinet by the three Ministers remain virtually as drafted before the meeting. The Lord Chancellor's position is less clear. His basic view was that his difficulties over recruitment to the judicial Bench would only be solvable if the Judiciary and the Review Body could be assured that the Government intended "barring circumstances which we do not at present foresee, substantially to implement the 1982 recommendations" when these are to hand. The Lord Chancellor guesses - but on the basis of the other Review Body Reports his guess appears reasonable - that this might imply a commitment to increase judicial salaries next year by some 20 per cent over the levels to be set now. The papers from the other Ministers make the following recommendations:

- (a) Armed Forces. Implement in full.

SECRET

SECRET

- (b) Doctors and Dentists. Reject the Report and offer 6 per cent instead (with some tempering of the wind to the Dentists).
- (c) TSRB groups. Reject bringing current salaries up to the levels recommended as appropriate at 1st April 1980 but instead give 7 per cent with distribution to be recommended by the TSRB.

5. Leaving aside the Armed Forces (where there is an overriding commitment), the problem is one of achieving a defensible consistency of treatment between a wide range of different groups in a situation where history has left each with a different starting-point and where each will be looking across at the treatment afforded to the others. To illustrate:-

- (a) If the recommendations in the Ministerial papers, including that for MPs and Ministers, were to be accepted as they stood, MPs would claim that, despite an increase of 18.9 per cent, they were being treated worse than any other group than the senior civil servants, officers and judges: they would not have been brought up to the level recommended by the TSRB for June 1980, and they would be only marginally ^{above} ~~due~~ that level from June 1981.
- (b) The Judiciary, the senior civil servants and senior members of the Armed Forces would see themselves, with the exception (marginally) of Cabinet Ministers, as the only group whose pay was still being held significantly below the rates recommended for 1st April 1980, whereas all the other groups would be getting more than that level.
- (c) While the Nurses might get a little more than the Doctors and Dentists, they would be likely to claim that last year's anomaly had not been corrected and that, despite the Government's past protestations, their position was one of continuing and sharp decline in real pay.

6. It is tempting to suggest that we should cut through the tangle and give all the Review Body groups (other than the Armed Forces) the pay recommended for them as of 1st April 1980. But that would mean senior civil servants getting an average of 12 per cent, more this time than their junior colleagues (though they got a lot less last year), and the Doctors and

SECRET

Dentists getting nothing this time (though they got the full recommended rates last year). It is also to be expected that Members of Parliament would regard the simple implementation of last year's recommended rates (£13,750) as doubtfully consistent with the Government's promises to them.

7. It needs also to be borne in mind that simple parity of treatment (i.e. a common percentage increase) this time between the TSRB groups, the Nurses and the non-industrial civil service cannot be achieved until the final settlement to the Civil Service pay dispute is known.

8. In considering these matters the Cabinet will also wish to bear in mind the problem of 1982 which the Lord Chancellor illustrates in his letter. On all the evidence (some of it displayed in the Review Body Reports) his prediction that next year's TSRB Report for the Judiciary etc. will throw up large recommended increases, must be right; his 20 per cent figure could be too low. Again the course of the Civil Service dispute is relevant. If the final outcome involves a commitment to binding arbitration next year, it will be difficult, if not impossible, to avoid a similar commitment to implement the DDRB and TSRB recommendations for 1982 when these are available. But a promise now to implement the TSRB's future recommendations, as suggested by the Lord Chancellor, would decrease the chances of the Government being able to avoid a commitment to binding arbitration for the remainder of the non-industrial Civil Service - and perhaps for the Nurses as well; and the Doctors and Dentists can be relied upon, if this year's recommendations are not implemented, to demand vocally and persistently full implementation next year - particularly if the TSRB groups are promised that. And the Government could not readily defend, for a third year running, giving the Doctors and Dentists the whole of what was recommended for them, while refusing it to the Judiciary and the senior ranks of the Civil Service and the Armed Forces.

9. In all of this, timing is going to be very important. I gather that the Chancellor's meeting yesterday took the view that the Review Body Reports should be published, and an announcement of policy made, in about 2 weeks' time. To do this before the Civil Service pay dispute has been settled could

SECRET

SECRET

make the Government's position in that dispute much more difficult. The AFPRB Report in particular, with its structured comparability and some commonality of analogues with the non-industrial Civil Service, will provide the Civil Service unions with evidence with which to incite their members to hold out for a much improved offer this year. It is obviously difficult to sit on these Reports for very long when it is known that they have all been delivered to the Government; but, if it is at all possible, there would be a lot to be said for holding them back, and indeed for deferring final decisions on them, until the Civil Service dispute has been settled.

10. Indeed this is a seemingly insoluble tangle. The various groups concerned start in such different positions that it is difficult to see any resolution which does not create new anomalies and considerable presentational difficulties for the Government. This being so, there may be something to be said for suggesting at the outset that this should be treated only as a first discussion, and final decisions postponed until all concerned have had more time to reflect on the discussion, and on the points at issue.

HANDLING

11. It would be useful if you could remind your colleagues at the outset of the discussion of the cross-links between the recommendations before them, those made earlier to Cabinet about the pay of MPs and Ministers and with the pay settlements being sought with the non-industrial Civil Service and the Nursing profession. You might also emphasise the tactical and timing complications inherent in the situation. You might then ask the Lord President of the Council, the Secretary of State for Defence and the Secretary of State for Social Services to introduce their papers, the Lord Chancellor to talk about the Judiciary, the Chancellor of the Duchy of Lancaster to remind colleagues of the concurrent problem of the pay of MPs and Ministers, and the Chancellor of the Exchequer to comment generally. You might then seek the Cabinet's reactions to - not necessarily decisions on - the following questions:-

- (a) Do they agree that the Report of the Armed Forces Review Body should be implemented in full with effect from 1st April 1981?

SECRET

FROM THE PRIVATE SECRETARY



HOUSE OF LORDS,
SW1A 0PW

CONFIDENTIAL

28th April, 1981

C.A. Whitmore Esq.,
Principal Private Secretary to the
Prime Minister,
10 Downing Street,
London,
SW1.

Prime Minister.

TMV
28/4

Dear Clive,

Top Salaries Review Board

The Lord Chancellor circulated a paper yesterday, Monday 27th April, for discussion at a meeting this morning summoned by the Chancellor of the Exchequer and also attended by, amongst others, the Lord President of the Council and the Secretaries of State for Defence and for Social Services. The Lord Chancellor has asked me to send copies of this paper before Thursday's Cabinet to the Prime Minister, to Cabinet Ministers who were not present at this morning's meeting, and to Sir Robert Armstrong.

Yours sincerely,

Michael Collon

M.H. Collon

CONFIDENTIAL

CONFIDENTIAL

Ref. A04783

MR. WHITMORE ✓

Prime Minister

Not very helpful. full
28/4

Top Salaries Review Body (TSRB) Report No. 16

Before leaving for India, the Prime Minister asked me to write on her behalf to Lord Plowden to thank him for the 16th Report of the Top Salaries Review Body, and to ask for advice on how a 7 per cent increase in the salary bill of the groups covered by the Report might best be distributed.

2. In his memorandum of 28th April to the Cabinet (C(81) 17), the Lord President of the Council said (paragraph 2) that he hoped that the Review Body's advice would be available before the Cabinet's meeting on 30th April.

3. I have today received Lord Plowden's reply. I attach a copy with this minute.

4. I am sending copies of this minute and of Lord Plowden's letter to the Private Secretaries to other members of the Cabinet.

REA

ROBERT ARMSTRONG

28th April, 1981

CONFIDENTIAL

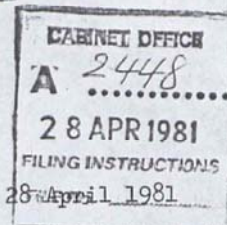


CONFIDENTIAL

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

Sir Robert Armstrong KCB CVO
Secretary of the Cabinet
Cabinet Office
70 Whitehall
London SW1A 2AS



Sir Robert,

I have now had an opportunity to discuss with my colleagues on the Top Salaries Review Body how an increase of 7 per cent might best be distributed among the posts covered by our remit.

So far as the posts within the civil service and the armed forces are concerned, we still have some considerable way to go in completing our studies and in view of this do not wish to put forward any proposals on how an amount of 7 per cent might be distributed. As you will have seen from our report (paragraph 21) we consider it undesirable that medical Major Generals should have any lead over combatant Major Generals, but it will of course be necessary to take into account whatever salary level is recommended by the Armed Forces Pay Review Body for medical Brigadiers when they make their supplementary report on medical and dental officers.

In the case of the judiciary, we have completed a considerable part of our studies and our report, as you know, includes the findings of a Sub-Committee we set up to consider salary relativities. We think it desirable to take the opportunity of moving in the direction indicated by the Sub-Committee, and accordingly for the judges we have divided the 7 per cent as far as possible on the basis of the points framework set out in their report; details of the resulting salaries are attached. We shall of course wish to develop our thoughts further on the judicial salary structure in preparing our main report for next year.

We would not wish any mention to be made of the Review Body's name in connection with the application of 7 per cent (or some other figure below what we have recommended in our report) to the civil service and armed forces posts. With regard to the judiciary, however, the Government might wish to say that it had allocated the figure broadly according to the relativities indicated in the Sub-Committee's Report, in consultation with the Review Body. May I ask that I should have an opportunity to comment on any draft statement, or the relevant portions of it.

We note the point you make that the increases entailed by the recommendation in our report would exceed the rate at which earnings increases are running in much of the private sector, but hope that it will be borne in mind that they relate to figures which we considered to be appropriate at 1 April 1980, and which reflected movements in the previous pay round. With regard to the judiciary, we are in any case concerned with earnings in the private sector

././.



CONFIDENTIAL

- 2 -

of business and industry, but with earnings among practitioners at the Bar from whom judges need to be recruited.

Yours sincerely
Plowden

PLOWDEN

	Salary implemented at 1 April 1980 £	Suggested salary payable from 1 April 1981 £
Lord Chief Justice	40,000	44,500
Master of the Rolls)		
Lord of Appeal)	37,000	41,000
Lord President of the Court of Session) (Scotland)		
Lord Chief Justice (Northern Ireland))		
President of the Family Division)	35,500	39,000
Lord Justice of Appeal)		
Lord Justice Clerk (Scotland))	33,500	37,500
Lord Justice of Appeal (Northern Ireland))		
Vice-Chancellor	33,000	37,500
High Court Judge)		
Judge of the Court of Session (Scotland))	32,000	35,000
Puisne Judge (Northern Ireland))		
President, Lands Tribunal (England and) Wales))		
President, Transport Tribunal)		
Chief Social Security Commissioner)	24,000	25,500
(England and Wales and Scotland))		
President, Industrial Tribunals)		
(England and Wales))		
President, Industrial Tribunals (Scotland))		
Sheriff Principal (Scotland))	23,250	24,750
Chairman, Scottish Land Court)		
President, Lands Tribunal (Scotland))		
Official Referee (London))		
Vice-Chancellor of the County Palatine) of Lancaster)		
Recorder of Liverpool)		
Recorder of Manchester)		
Senior Circuit Judge, Newington Causeway)	22,500	24,500
Recorder of Belfast (Northern Ireland))		
President of the Lands Tribunal)		
(Northern Ireland) ¹)		
Chief Social Security Commissioner)		
(Northern Ireland) ¹)		

	Salary implemented at 1 April 1980	Suggested salary payable from 1 April 1981
	£	£
Circuit Judge)		
Chief Metropolitan Magistrate)		
Member, Lands Tribunal (England and)		
Wales and Scotland))		
Social Security Commissioner (England and)		
Wales and Scotland))		
Judge Advocate General)		
Sheriff A (Scotland))		
County Court Judge (Northern Ireland))		
Master of the Court of Protection)	22,000	23,250
Senior and Chief Masters and Registrars)		
of the Supreme Court)		
Registrar of the Court of Criminal Appeal)		
President, Industrial Tribunal)		
(Northern Ireland) ¹)		
Member, Lands Tribunal (Northern Ireland) ¹)		
Social Security Commissioner)		
(Northern Ireland) ¹)		
Sheriff B (Scotland)	21,500	23,250
Regional Chairmen, Industrial Tribunals)		
(England and Wales and Scotland))	21,500	22,750
Chairman, Foreign Compensation Commission)		
Vice-Judge Advocate General	19,500	22,000
Masters and Registrars of the Supreme Court)		
Metropolitan Magistrate)		
Chairmen, Industrial Tribunals)		
(England and Wales and Scotland))		
Provincial Stipendiary Magistrate)	19,500	20,750
Resident Magistrate (Northern Ireland))		
Chairman, Industrial Tribunal)		
(Northern Ireland) ¹)		
Master, Supreme Court)		
(Northern Ireland) ¹)		
County Court Registrars and District)		
Registrars of the High Court	19,250	20,500

Note: ¹ These appointments have been added to the remit since Report No 14.

CONFIDENTIAL



HOUSE OF LORDS,
SW1A 0PW

27th April 1981

Dear Geoffrey:

Salaries of the Judiciary

1. We are meeting tomorrow morning to discuss the reports of the three Review Bodies. Departmentally, my concern is that we should be able to demonstrate to the judiciary that they are being treated fairly. But wider considerations point to similar conclusions.

2. I understand that the Doctors and Dentists Review Body is recommending increases of around 9%. The Armed Forces Review Body costs its recommendation at 10.3%, but that conceals salary increases of between 12½ and 14½% for officers up to Brigadier. Whatever increase we decide upon for these groups starts from the salaries appropriate to April 1980, as last year's DDRB and AFRB were implemented in full.

3. The Top Salaries Review Body's 1981 Report (No. 15) makes no new salary recommendation for 1981 but strongly urges the Government to implement the recommendations made last year "in full and as soon as possible": and it says that it will report fully next year on the salary levels appropriate at April 1981. The Review Body has been asked to advise on how an overall increase of 7% (full implementation would cost 12%) could best be distributed among the officers covered by its remit. But I understand that this further advice has not yet been received.

The Right Honourable
Sir Geoffrey Howe, Q.C., M.P.
Chancellor of the Exchequer.

CONFIDENTIAL

CONFIDENTIAL

- 2 -

4. For my part, I am becoming increasingly concerned that the morale of the judiciary, and particularly of the High Court Bench, is beginning to suffer. In 1980, we made it clear that we expected those covered by TSRB to give an example to the country by accepting lower salary increases than would otherwise have been justified. I believe that the judiciary as a whole accepted this: but I do not consider that we can expect this attitude to continue unless we show as far as the 1981 settlement is concerned that we recognise that they were hit harder than other groups in last year's round, and that there is a clear prospect for improvement in 1982. This of course applies to those whom I may be wishing to recruit even more forcibly than to judges in post.

5. TSRB has recognised the problem. It says: "..... [many] who have become judges, especially those appointed to the High Court, have incurred a substantial loss of earnings after allowing for the expenses of practice We do, however, find cause for concern. While there are as yet relatively few refusals of High Court appointments, the recruitment position is finely balanced and could deteriorate sharply if judicial salaries are allowed to get too far out of line with the receipts of those practising barristers from whom appointments are made." A survey attached to the Report shows that the median net income (that is, excluding VAT, personal pension premiums and professional expenses) of High Court judges appointed in 1977-80 was £46,000 at 1979-80 prices, which compares with the current salary of £32,000.

Of some of the most essential the monetary penalty must be greatly in excess of £20,000 p.a.

6. The other groups covered by the TSRB have suffered in comparison with those covered by the DDRB and the AFRB. But neither the senior civil servants nor the senior officers of the Armed Forces are recruited from outside in middle life, and therefore the level of their earnings relative to the relevant field of recruitment is far less crucial. Appointment

CONFIDENTIAL

CONFIDENTIAL

- 3 -

to the Bench carries with it rewards which make up for some loss of income: but it would be dangerous to rely on this without giving any indication that we recognise that those who hold the highest judicial offices should be adequately remunerated. If the status of the office declines, people will turn down offers of appointment, which in itself will tend to diminish further the status of the Bench. *I have in fact had more than one refusal in my current term.*

7. What must we do to prevent this? As far as 1981 is concerned we cannot give the TSRB groups, which will start from a lower base, less than we give the civil service generally: and we must surely wait until we have reached a settlement with the civil servants before taking a decision on what to allow the TSRB groups. Even if this means considerable delay, this should not cause distress: the settlement will presumably be back-dated to the beginning of April. As for the distribution between and within the various groups, we can hardly decide how much to weight the award in advance of the Review Bodies' response to the request in Sir Robert Armstrong's letter of the 14th April to Lord Plowden.

B. We cannot long delay taking a decision on how we propose to deal with the Review Bodies' in 1982. The TSRB has said that it will then make recommendations on the salary levels appropriate to the 1st April 1982. If we give 7% this year, we must expect their recommendations to be of the order of 20% or more in 1982. The judiciary has confidence in the TSRB and we have no real prospect of substituting at short notice alternative machinery which will command similar confidence. But we cannot continue to reject their recommendations without the judiciary and no doubt the other groups concerned losing faith in the Review Body as a method of determining pay: and the Review Body could hardly survive a third rebuff. My view is that if we are to reassure the Bench and the Review Body itself, we shall have to make it

CONFIDENTIAL

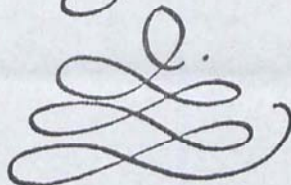
CONFIDENTIAL

- 4 -

clear that we intend, barring circumstances which we do not at present foresee, substantially to implement the 1982 recommendations.

I am sending copies of this minute to Christopher Soames, John Nott and Patrick Jenkin.

Yrs.

A handwritten signature in black ink, consisting of a series of loops and flourishes, positioned below the text 'Yrs.'.

From: THE RT. HON. LORD HAILSHAM
OF ST. MARYLEBONE, CH, FRS, DCL.

CONFIDENTIAL

Econ Pol

010

✓ ✓ ✓ ✓ ✓

11

NOTE OF A MEETING HELD IN THE CHANCELLOR OF THE EXCHEQUER'S ROOM,
H.M. TREASURY ON TUESDAY 28 APRIL 1981

Present:

Chancellor of the Exchequer (In the Chair) *27/4*
 Lord Chancellor
 Secretary of State for Defence
 Secretary of State for Employment
 Secretary of State for Social Services
 Chief Secretary - Treasury
 Mr W Bourne - Lord Chancellor's Office
 Mr P Benner - DHSS
 Mr M Buckley - Treasury
 Mr J Pearce - CSD
 Mr Jaffrey - MOD
 Mr M Covington - Department of Employment

PAY REVIEW BODIES

The meeting had before it the 16th Report of the Review Body on Top Salaries, a draft memorandum for Cabinet about it by the Lord President of the Council and a letter dated 27 April from the Lord Chancellor to the Chancellor of the Exchequer on the salaries of the judiciary; the 11th Report of the Review Body on Doctors and Dentists remuneration and a draft note for Cabinet about it by the Secretary of State for Social Services; and the 10th Report of the Review Body on Armed Forces Pay and a draft memorandum for Cabinet about it by the Secretary of State for Defence.

2. The Chancellor of the Exchequer said that prior to the forthcoming discussion of the three Pay Review Body Reports and their handling at Cabinet on 30 April, he thought it would be helpful for the Ministers most concerned to have a first run over the ground in order to identify the common issues arising from the three Reports and the interconnections between them.

/The Secretary of State for

CONFIDENTIAL



3. The Secretary of State for Social Services said that the handling of each of the Reports raised difficult presentational problems. He considered there were strong arguments for presenting the package as a whole so that the differences between the three groups, and the reasons for differences of treatment, could be explained. As was made clear in his draft note for Cabinet on the DDRB Report, its acceptance would mean exceeding the provision in the NHS cash limits by £26 million or unacceptable cuts in the standard and level of service. Against the background of the 31 and 26 per cent increases that the professions had received in the last two years, he did not believe they would be too outraged or surprised by the decision. However very careful preparation was needed, not least with the Review Body itself, and he would be recommending to the Prime Minister that she should see the Chairman to explain the reasons for not accepting the recommendations in advance of an announcement. He himself proposed to see the leaders of the professions. The need for consultation had implications for the timing of an announcement, following Cabinet on 30 April he considered a further delay of some two weeks might be needed. He proposed to open the negotiations by making an offer at 6 per cent, with the recognition that the award might have to be slightly higher, but with the firm intention of staying within the 6 per cent cash limit. The only concession he proposed was to temper the wind slightly for dentists who were to suffer a clawback of over payment in 1977-79. The Review Body recommended that their "target average net income" should be frozen until 1 October, with a 9 per cent increase from that date. His proposals as a whole would be very much easier to sell if the recommendations of the Armed Forces Review Body were not implemented in full.

4. The Lord President said that the TSRB Report No.16 made no new salary recommendations for 1981 but urged the Government to implement

/in full and as soon

CONFIDENTIAL



in full and as soon as possible the rates recommended last year in TSRB 14, which would mean an average increase this year of 12 per cent. The choice was essentially between following this course, or restricting the award to either 7 per cent or 6 per cent. 7 per cent could be squared with the cash limit, and in view of the offer of 7 per cent to the Civil Service as a whole, the fact that differentials were too small anyway, and the loyalty of senior management in the current dispute, he was strongly in favour of awarding the 7 per cent quickly. He did not consider it necessary to await the outcome of the Civil Service Pay Award, which the Government was determined should not exceed the 6 per cent cash limit. It had to be recognised that following this course would set up an even worse problem for the following year, when the recommendation was likely to be at least 20 per cent. If it were rejected again there was a strong possibility that the TSRB would refuse to continue on the grounds that their recommendations were constantly disregarded by the Government.

5. The Lord Chancellor said that the difficulty with the judiciary was that unlike the Civil Service and the Armed Forces where there was a career structure, recruitment took place from the bar, and could involve for individuals a penalty of more than £20,000 a year. There had already been a number of refusals and if the relative position of the judiciary deteriorated further he would become concerned about the prospect of continuing to attract first rate people to high court judgeships. From a tactical point of view he was not certain that it would be right to reach decisions before the Civil Service dispute was settled because if any of the groups under consideration were seen to get an award higher than the 7 per cent offered to Civil Servants, it would make the Civil Service dispute that much more difficult to control.

6. The Secretary of State for Defence said that the AFRB Report recommended increases for officers of between approximately 12½ per

/cent and 15 per cent,

CONFIDENTIAL



cent and 15 per cent, and for other ranks between 8 per cent and 13½ per cent, which produced an overall cost of 10.3 per cent, or a net cost of 9.4 per cent if the increased charges for food and accommodation were taken into account. He considered that the outcome was a reasonable one in the circumstances, and that because of the many commitments which had been given, for example in the manifesto and by the Prime Minister subsequently, there was no real choice but to implement the recommendation in full.

7. In discussion, it was suggested that so far as the judiciary was concerned, the value of the security of a position on the bench with a pension at the end was significant and should not be underestimated. The Lord Chancellor commented that because of the very high earnings at the top of the bar he believed it would be wrong to lay too much stress on these factors, the honour and distinction of being a high court judge still retained a strong attraction, as there remained a strong element of public spirit, but he did not believe that the value of security and a pension could anything like compensate for the large drop in salary which could be involved.

8. It was pointed out that full implementation of the AFRB Report would not only make the treatment of the other groups harder to justify, but would be bound to have an adverse impact on the Civil Service dispute particularly as the Civil Service unions would point out that their comparitors were essentially the same. Moreover in expenditure terms the costs were considerable. Against this it was argued that in practical and political terms the commitment to maintain the pay of the Armed Forces against their civilian comparitors was insurmountable. The Chancellor of the Exchequer summing up the discussion said that there had been substantial agreement on the proposed handling of the three Review Body Reports. The draft Cabinet papers covering them, on which there was also broad agreement, should

/now be revised as

CONFIDENTIAL



now be revised as necessary for immediate circulation to Cabinet. Attention had been drawn to the special difficulties in the case of the judiciary and to the similar problems which would arise for other groups in 1982 and later years because of the compression of differentials. The need for careful handling of the Review Bodies themselves had been accepted and there was a strong case for the Prime Minister explaining the reasons for the Government's decisions in advance of their announcement. It had also been agreed that the Government's decisions on the three Reports should be presented as a single package rather than piecemeal so that the differences of treatment could be explained. On the Armed Forces there had been some feeling that it would be very desirable to award less than the full recommendation, because of the repercussions both on other Review Body groups and more widely of accepting the award in full, but it had been strongly argued that in practical and political terms the commitment to implement in full was too strong.

PJ

P S JENKINS

28 April 1981

Circulation:

Those present

FST

MST(C)

MST(L)

Sir D Wass

Mr Ryrie

Mr Middleton

Mr Rayner

Mr Lankester - No.10

Mr Le Cheminant - Cabinet Office

CONFIDENTIAL

MR. WHITMORE

Prime Minister.

To see.

c.c. Mr. Duguid
Mr. Gaffin

REVIEW BODIES

It may be helpful if I summarise where we have got to on the reports of the three Review Bodies received before Easter - the TSRB, the DDRB and the AFPRB.

As you know, the TSRB recommended that the Government implement last year's recommendations in full and as soon as possible, and Sir Robert Armstrong replied asking them to make recommendations for the distribution of a notional 7 per cent. The DDRB recommended increases for doctors and dentists ranging between 8 and 9½ per cent, averaging a 9 per cent increase on earnings. They also suggested that the dentists should accept a reduction in certain dental expenses. The AFPRB made recommendations which will add 10.4 per cent to the gross pay bill, but only 9½ per cent after taking account of increases in food and accommodation charges. The AFPRB's recommendations are for lower increases for lower ranks (8 to 10½ per cent) and higher increases for officers (12½ to 15 per cent).

At a preliminary discussion amongst officials earlier this week, it was established that the likely attitude of the sponsor Ministers who will be putting in papers for Cabinet on 30 April are as follows:-

(1) TSRB. The Lord President is likely to argue firmly that 7 per cent across the board for TSRB groups is right. The Chancellor will probably argue that it should be lower, perhaps 6 per cent, to coincide with the DDRB (see below), but the Lord President has the stronger case in that the rest of the Civil Service has already been offered 7 per cent, and that the TSRB groups, unlike the DDRB groups, did not receive their full recommendations last year.

(2) The DDRB. Mr. Jenkin will recommend rejection of the recommendations of the report, and the substitution of an across-the-board 6 per cent increase, or possibly 6½ per cent. Although this is believed to be only the second time that the DDRB report has been rejected, there is no obligation on government to accept it. There is, of course, already a clear Cabinet position that all NHS groups must be accommodated within the cash limit.

(3) The AFPRB. Mr. Nott will, of course, recommend acceptance, on the grounds that 10.4 per cent is not unreasonable given the strength of the Government's commitment to the AFPRB and the level of settlements elsewhere. But acceptance would, of course, have adverse consequences elsewhere, and would create some anomalies at higher levels.

All three reports will be discussed at a meeting of Ministers chaired by the Chancellor on Tuesday.

Jr.

23 April 1981

CONFIDENTIAL

cc Mr Duguid
1. CAW ✓
2. Ty to see OR
NJS
1574

CABINET OFFICE
A
Ref: A04721
14 APR 1981
FILING INSTRUCTIONS
FILE No.

14th April, 1981

Before leaving for India this afternoon, the Prime Minister asked me to write to you on her behalf to thank you for the 16th Report of the Top Salaries Review Body. She and her colleagues will of course be considering it; but they note that the Review Body, is in the process of a comprehensive review, with a view to a full report by 1st April 1982 on the salary levels appropriate at that date, and that in the meantime has reached the conclusion that no useful purpose would be served by recommending now interim salary levels beyond those which still remain to be implemented from the 14th Report, which it urges the Government to implement in full and as soon as possible.

As your report points out, an increase of about 12 per cent overall in the current cost of three groups within your remit would be needed to bring the salaries concerned up to the levels recommended last year. The Prime Minister has asked me to say that she cannot yet say how far towards that the Government will think it right to move as from 1st April 1981. It is clear, however, that an increase of that order would be in excess of the increases allowed for in the provisions made for public service pay in the Government's public expenditure plans for 1981-82, and in excess also of the rate at which earnings increases are running in much of the private sector. The Prime Minister believes, therefore, that the Government is likely to be obliged to adopt an overall increase for the groups covered by your remit from 1st April 1981 which falls short of the 12 per cent required to implement the salary levels which the Review Body recommended last year.

In that event the Government would want to distribute the total in a manner which was not inconsistent either with the shape of the Review Body's past recommendations or with the directions in which the Review Body's thinking is moving for the future, some indications of which are given in the second chapter of the 16th Report.

/ It would

The Lord Plowden, KCB, KBE

CONFIDENTIAL

CONFIDENTIAL

It would therefore be a considerable help if the Review Body were able to advise how best to distribute the sum which the Government decides to make available from 1st April 1981. As I say, the Prime Minister cannot yet say with certainty what that will be; but she believes that, for the purposes of advising on distribution, it would make sense to think in terms of a sum equivalent to 7 per cent overall. Even if the overall sum available eventually turned out to be less or more than 7 per cent, advice from the Review Body on how such a sum should be distributed would set a pattern of distribution which would be extremely useful to the Government as a guide.

The Prime Minister would accordingly be very grateful if the Review Body felt able to advise how an overall increase of 7 per cent could best be distributed among the officers covered by its remit.

ROBERT ARMSTRONG

CONFIDENTIAL

CONFIDENTIAL



Ecan Pd

NBPM

MJ

14/4

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

J. Vereker

PRIME MINISTER

DRAFT LETTER TO LORD PLOWDEN

I have a number of comments on the draft letter to the Chairman of the Top Salaries Review Body (TSRB) which the Secretary of the Cabinet circulated with his minute of 10 April to the Lord Chancellor.

2. First, the Government does not "propose" increases for the groups concerned (last paragraph on page 1). I suggest "adopt".

3. Secondly, I suggest the omission of the phrase "a little" in the final sentence of the last paragraph but one, in order not to restrict our options unduly at this stage.

4. Finally, and most importantly, although I am content that the draft letter should ask for advice on the basis of an increase of 7 per cent, I should record that there may be strong arguments in favour of a lower figure; and we must be careful not to prejudice the position. The current offer of 7 per cent to the Civil Service is the effect of a 6 per cent pay factor combined with a squeeze on numbers; and it is not clear to what extent the latter factor will apply to TSRB groups. Secondly, we shall need to co-ordinate

/our decisions on

CONFIDENTIAL



our decisions on the TSRB groups with our decision on the doctors and dentists: in view of arguments which the Secretary of State for Social Services has advanced in other contexts, it may well be that 6 per cent is all that we can afford to give the doctors and dentists. It would be significantly more difficult to do this if we gave more than 6 per cent to the TSRB groups.

5. I am sending copies of this minute to the Lord Chancellor, the Lord President, the Secretaries of State for Defence, and Social Services, and the Secretary of the Cabinet.

R. I. Tolkier,
for,

(G.H.)

14 April 1981

[Approved by the Chancellor
and signed in his absence]

FROM:

cc A Duguid *Leon Bl*
THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.



HOUSE OF LORDS,
SW1A 0PW

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

Sir Robert Armstrong

12
RM/w P22/44/32(2)

Dear Armstrong:

TSRB

Thank you for your minute of 10th April on the distribution of a sum equivalent to 7 per cent overall to the groups within the remit of the Top Salaries Review Body.

On the assumption that the Government would be able to say publicly that the distribution was based on the advice of the Review Body, I am content with your draft. If this advice were to be unattributable and advocated much less than 7 per cent for some groups, I should be less than happy about our ability to justify the decision to people whose pay would still be substantially below the rates recommended in the 14th Report.

I am sending copies of this minute to the Prime Minister, the Chancellor of the Exchequer, the Lord President and the Secretary of State for Defence.

Yrs.
H: of S: M.

13th April, 1981

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

CONFIDENTIAL



FILE

VLE

Earl P

EC Duguid
Ingram

10 DOWNING STREET

From the Private Secretary

MR. WRIGHT

CABINET OFFICE

TSRB Report no. 16: Handling

The Prime Minister has read Sir Robert Armstrong's minute of 6 April (ref. A04633), and agrees with his proposals for the handling of the above report. In particular, she agrees that there should be a wide-ranging Cabinet discussion of public service pay issues, at which the TSRB Report would be considered along with other issues, and that this should be preceded by a smaller meeting under her chairmanship; she also agrees that she should write immediately to Lord Plowden in the terms of the draft suggested - provided, of course, that the other Ministers mentioned at the end of Sir Robert's minute are also content.

T. P. LANKESTER

8 April 1981

CONFIDENTIAL

JA



cc:- HMT
DHSS
CO

R H

Gran Pol

10 DOWNING STREET

From the Private Secretary

8 April, 1981

Thank you for your letter of 25 March to the Prime Minister, I have been asked to reply.

At the beginning of the year, the Prime Minister invited each of the Chairmen of the three Review Bodies to meet her for an exchange of views about their role. This was reported in a Written Answer (Hansard for 23 January 1981, Col. 249) as well as in the daily and the medical press at the time. In this Answer, Mrs Thatcher explained that she had taken the opportunity to emphasise the Government's belief that national economic circumstances should be taken into account by the Review Bodies in reaching their decisions.

It has, of course, always been the case that the Government and the professions have given evidence to the Doctors and Dentists Review Body as part of their annual reviews, and there have been occasional meetings with one or other party to discuss wider questions. For example, the Review Body met representatives of the medical profession for a general discussion towards the end of last year. Such meetings in no way compromise the independence of the Review Body, which lies in their ability to reach whatever conclusion they think fit in the light of all the evidence.

M. A. PATTISON

Dr J J F Herbert

SP

CONFIDENTIAL

cc: Mr. Ingham
Mr. Duguid

MR. LANKESTER

TSRB Report No. 16: Handling

I would not normally want to second guess Sir Robert Armstrong's advice to the Prime Minister on handling, but there are two issues raised in his minute of 6 April which should not be overlooked.

First, his conclusion in paragraph 6 that the amount offered to the TSRB Groups can be "very little if any more than" 7%, is unsupported by his previous arguments, and notably those in paragraph 3(b). It is of course not a decision that can be based on logic; it must be based on the presentational effect at a time of public service pay constraint elsewhere. Therefore, the argument Sir Robert Armstrong proposes in the second paragraph of the draft letter to Lord Plowden is in my view wrong; it is not the case that 12% "would be in excess of the increases allowed for" in the Government's public expenditure plans, because the TSRB Groups form a small proportion of the Civil Service pay bill and we are not running a public service incomes policy. To use this argument, especially with senior civil servants who will very quickly see through it, weakens the case. The argument for 7% should rest on the fact that that is what has been offered to the rest of the Civil Service.

*Point
must
to DAB
accept
present -
decision
D.*

Second, Sir Robert Armstrong does not advise on whether an announcement should be made, if the Prime Minister agrees to ask the TSRB to recommend on the distribution of 7%. We must accept that such a decision would be long leak; and I understand that our Press Office is already fielding enquiries about the TSRB. An announcement that we are going for 7% could strengthen management's hand in dealing with the rest of the Civil Service. Mr. Ingham agrees it would be best to make the announcement, and take due credit for it.

*but as
needed
to since
should
be
print
D.*

J.V.

7 April 1981

CONFIDENTIAL

RG

C.F. pps



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE
LONDON S.E.1

TELEPHONE: 01-407 5522

PO 2715/804

Mike Pattison Esq
Private Secretary
10 Downing Street
London
SW1

*Please type up draft
for M.A.P.*

7 April 1981

Dear Mike,

✓
Thank you for your letter of 30 March enclosing a copy of one that the Prime Minister had received from the Hospital Doctors' Association about her meeting with Sir Robert Clark.

I enclose as requested a draft private secretary reply that has been cleared with Cabinet Office and the Treasury.

I am sending copies of this letter and enclosure to Peter Jenkins and David Wright.

Yours ever

DON HERRETON
Private Secretary

Dr J J F Herbert
Chairman
Hospital Doctors' Association
The Old Court House
London Road
Ascot Berks
SL5 7EN

Thank you for your letter of 25 March to the Prime Minister: I have been asked to reply.

At the beginning of the year, the Prime Minister invited each of the Chairmen of the three Review Bodies to meet her for an exchange of views about their role. This was reported in a Written Answer (Hansard for 23 January 1981, Col 249) as well as in the daily and the medical press at the time. In this Answer, Mrs Thatcher explained that she had taken the opportunity to emphasise the Government's belief that national economic circumstances should be taken into account by the Review Bodies in reaching their decisions.

It has, of course, always been the case that the Government and the professions have given evidence to the Doctors and Dentists Review Body as part of their annual reviews, and there have been occasional meetings with one or other party to discuss wider questions. For example, the Review Body met representatives of the medical profession for a general discussion towards the end of last year. Such meetings in no way compromise the independence of the Review Body, which lies in their ability to reach whatever conclusion they think fit in the light of all the evidence.

Ref: A04633

CONFIDENTIAL

PRIME MINISTER

TSRB Report No. 16: Handling

You have now received the 16th Report of the TSRB dealing with the pay of senior civil servants, Members of the Armed Forces and the Judiciary. The Report is as we expected: it makes no new salary recommendations but strongly urges the Government to implement the recommendations made last year "in full and as soon as possible"; and states an intention to report next year with "full recommendations on the salary levels which are appropriate at 1st April 1982". We also know that the Review Body are ready, on request, to advise on the most appropriate distribution of whatever sum of money the Government feel able to allocate to salary increases for these groups this year (assuming that the Government does not decide to implement last year's recommendations in full).

2. The immediate problem we face is one of handling. The background situation is complex: the Civil Service pay dispute rumbles on; the nurses' pay negotiations open soon; the Doctors and Dentists Review Body Report is expected just before Easter; the Armed Forces Pay Review Body Report is expected just after Easter; and the Cabinet will, ^{this} ~~next~~ week, be taking a first look at the problems of determining MPs' and Ministers' pay this year.

3. There are a number of different cross-linkages to have in mind:

- (a) Assuming that the Cabinet decide that you should ask the TSRB to produce the same sort of Report on the pay of MPs and Ministers as that they have just produced on their other client groups, we shall face a uniform recommendation across the whole TSRB field that the rates they recommended as appropriate for pay last year should be implemented in full as soon as possible. Assuming that MPs get their already-agreed third stage increase on 13th June (£13,150), they will only be $4\frac{1}{2}$ per cent short of the full recommended

CONFIDENTIAL

cc Mr Venner

Min Minister

*But Armstrong suggests that
his chance should be taken by
Cabinet along with other public
service pay issues after Easter.*

*But he advises that you should
now ask Lt Plowden for advice
on how a firm below 12%
should be distributed (Flag A). Are*

*you content with this?
Yes no*

CONFIDENTIAL

rate of £13,750. If the Cabinet agree with the proposal by the Lord President and the Chancellor of the Duchy to increase that by 6 per cent to £13,950, MPs will have overtaken the TSRB's 1980 recommendation, and their pay will be nearly 19 per cent higher in 1981-82 than in 1980-81. The other TSRB groups, in contrast, are at present on average 12 per cent behind the TSRB 1980 recommendations, and will still be 5 per cent behind if they are given an increase of 7 per cent.

- (b) Unless the Government were to decide to pay the full TSRB recommendations for the groups other than MPs and Ministers it will need to decide on a sum of money to be allocated by the TSRB. It may be difficult to decide the average level of increase inherent in this sum before the Civil Service dispute is settled. At the meeting with Lord Plowden some weeks ago, the Chancellor of the Exchequer seemed to be ready to contemplate something over the odds for the TSRB groups this year, because they were held back last year. It will be difficult to go for a figure of less than the 7 per cent already on offer to the rest of the Civil Service, and, if the AFPRB recommends increases considerably larger than that for the Armed Forces, there may be a case for a slightly higher figure for the TSRB groups in order to preserve differentials between senior officers and others in the Services.
- (c) The nurses are holding back, awaiting the Government's reaction to the DDRB Report. No one yet knows what level of increase the DDRB will recommend though there are rumours that the average will be in the neighbourhood of 8 or 9 per cent. Either the doctors must be held back to some lesser figure (and they did get full implementation of last year's DDRB Report) or the nurses will want parity of treatment: it will not be possible to settle with them for the 6 per cent which is all that is possible within the cash limit. The decisions taken here will read across to the attitude of the Civil Service unions in their current dispute and to the negotiations later in the summer for the great mass of local authority white collar employees.

CONFIDENTIAL

(d) The Report of the AFPRB can perhaps be treated as sui generis. There are no indications as yet of the recommendations which the AFPRB may make. It is, however, known that this year they are taking a particular interest in Armed Forces' pensions, and it could be that increased contributions for these will square the circle. We shall not know for several weeks; and the AFPRB's work, based as it is on a very structured form of comparability, could give further ammunition to the public service unions generally.

4. The conclusion I draw is that we had better not tackle these issues piecemeal. Ideally we should not respond to the TSRB's 16th Report, nor decide upon a figure for the TSRB clients, at least until we have the DDRB and the AFPRB Reports also to hand. At its discussion of the pay of MPs and Ministers the Cabinet need decide only what response we give to Lord Plowden's approach to me about the shape of their Report on the pay of MPs and Ministers, though a second reading discussion on the options for dealing with MPs and Ministers would be useful to help clear minds.

5. This would point to a wide-ranging Cabinet discussion of public service pay issues after Easter. Suitable dates would be either 30th April or 7th May (whichever day the Cabinet does not discuss public expenditure survey guidelines). That discussion might be preceded by discussion in a smaller group, under your chairmanship, for which officials could produce a paper to form an annotated agenda for such a discussion and later consideration by Cabinet.

6. There is, however, one point on which I think we need an immediate decision, though not from Cabinet: whether to take advantage of the Review Body's readiness to advise on the distribution of whatever sum is available for these groups. In theory it is difficult to take a decision on this until the Government has decided what that sum is to be. In practice, I believe that it is already clear that that sum cannot be less than the 7 per cent already offered to the Civil Service and can be very little if any more than that. It would be convenient to get the Review Body's advice sooner rather than later, so that we

would
you
like this?

Yes



CONFIDENTIAL

are not held up for the lack of that advice later on, when it may be desirable to be able to make an announcement at about the same time as announcements are being made on doctors and dentists and on the Armed Forces. I therefore recommend that we should not wait, but seek the Review Body's advice directly. — You do not need to wait for a Cabinet decision to do this. I attach a draft of a letter which you might send to Lord Plowden; if you agree, I will clear this with the Lord Chancellor, the Chancellor of the Exchequer, the Lord President and the Secretary of State for Defence.

ROBERT ARMSTRONG

6th April, 1981

CONFIDENTIAL



CONFIDENTIAL A

DRAFT LETTER FROM THE PRIME MINISTER TO
THE LORD PLOWDEN, KCB, KBE

I am writing to thank you for the 16th Report of the Top Salaries Review Body, which I received last week. My colleagues and I shall of course be considering it; but I note that the Review Body is in the process of a comprehensive review, with a view to a full report by 1st April 1982 on the salary levels appropriate at that date, and that in the meantime has reached the conclusion that no useful purpose would be served by recommending now interim salary levels beyond those which still remain to be implemented from the 14th Report, which it urges the Government to implement in full and as soon as possible.

As your report points out, an increase of about 12 per cent overall in the current cost of three groups within your remit would be needed to bring the salaries concerned up to the levels recommended last year. I cannot yet say how far towards that the Government will think it right to move as from 1st April 1981. It is clear, however, that an increase of that order would be in excess of the increases allowed for in the provisions made for public service pay in the Government's public expenditure plans for 1981-82, and in excess also of the rate at which earnings increases are running in much of the private sector. The Government is likely, therefore, to be obliged to propose an overall increase for the groups covered by your remit from 1st April 1981 which falls short of the 12 per cent required to implement the salary levels which the Review Body recommended last year.

CONFIDENTIAL

 CONFIDENTIAL

In that event the Government would want to distribute the total in a manner which was not inconsistent either with the shape of the Review Body's past recommendations or with the directions in which the Review Body's thinking is moving for the future, some indications of which are given in the second chapter of the 16th Report.

It would therefore be a considerable help to me if the Review Body were able to advise how best to distribute the sum which the Government decides to make available from 1st April 1981. As I say, I cannot yet say with certainty what that will be; but I believe that, for the purposes of advising on distribution, it would make sense to think in terms of a sum equivalent to 7 per cent overall. Even if the overall sum available eventually turned out to be a little less or a little more than 7 per cent, advice from the Review Body on how such a sum should be distributed would set a pattern of distribution which would be extremely useful to the Government as a guide.

I should accordingly be very grateful if the Review Body felt able to advise how an overall increase of 7 per cent could best be distributed among the groups covered by its remit.

CONFIDENTIAL

CONFIDENTIAL

PRIME MINISTER

cc: Mr. Ingham
Mr. Vereker
Mr. Wolfson
Mr. Hoskyns

TOP SALARIES REVIEW BODY REPORT

We have now received the TSRB's Report on senior public civil servants' pay - copy attached.

As expected, the Report does not make any new recommendations on pay. It simply urges the Government to implement last year's recommendations "in full and as soon as possible". If implemented as from 1 April 1981, this would mean a 12% overall increase in the salary cost of the three groups covered by the Review. For the majority of the individual grades within the three groups, the increase would be less than 10%. But the increase for Under-Secretaries, Rear Admirals, Major Generals and Air Vice Marshals would be 14.6%; and the increase for the comparable judiciary grade would be about 15%.

The Report makes clear that it is only an interim one, and that it will be followed by a Report in 1982 containing "full recommendations on the salary levels which are appropriate at that date". With this in view, the TSRB have commissioned detailed surveys of outside salary levels; some of these surveys, including one on the judiciary, have already been completed and their findings are referred to in the Report - though without any firm recommendations. The two main issues which these surveys have so far thrown up appear to be, firstly, the undesirable narrowing of top salary differentials generally, and, secondly, the inadequacy of judicial salaries.

The main issue for decision on this Report is how far we can go in implementing last year's recommendations. If we cannot implement them in full, what increase in the pay bill of the three groups would be acceptable, and how should it be distributed? One possibility which we have had in mind is to ask the TSRB for private advice on how a given figure - i.e. lower than 12% overall - should be distributed.

CONFIDENTIAL

/ Handling

CONFIDENTIAL

- 2 -

Handling

The Cabinet Office will be providing early advice on how, and when, the Report should be considered by Ministers. There is an obvious link between this Report and decisions on MPs and Ministers pay - the ^{Chancellor of the Duchy} ~~Lord President~~ will be bringing forward a paper on the latter in the next two weeks. It would probably be better to defer considering the present Report until we have the Lord President's paper. By that time, we may also have a clearer view of the likely outcome of the Civil Service dispute, the Doctors' and Dentists' Review Body's Report, and possibly the Armed Forces Review Body's Report - all of which are relevant.

TL

1 April 1981

CONFIDENTIAL

File

OSG

MR. WRIGHT
CABINET OFFICE

We have today received the Top Salaries Review Body's Report No. 16 - copy attached. I would be grateful for early advice on how this should be handled.

T. P. LANKESTER

1 April 1981

OSG

file

889

1 April 1981

Dear Lord Plowden,

I am writing to acknowledge your letter of 1 April and the Review Body's Report for 1981 which you enclosed with it.

I will bring these to the Prime Minister's attention at once.

Yours sincerely,

T. P. Lankester

The Lord Plowden, KCB, KBE.

889



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

1 April 1981

Dear Prime Minister,

REVIEW BODY ON TOP SALARIES

I now enclose the Review Body's report for 1981.

As Andrew Leggatt is at present away on business in Hong Kong, he has not been able to sign the report. He has, however, been actively involved in its preparation. He has been sent and has seen those parts of the report that have been redrafted since he has been away. He is content with them and with the report as a whole. He has confirmed by letter to me that he wishes to be treated as having signed it and to be included in the list of signatories when the report is published.

Yours sincerely
Plowden

PLOWDEN, CHAIRMAN
REVIEW BODY ON TOP SALARIES

The Rt Hon Margaret Thatcher MP
The Prime Minister
10 Downing Street
London SW1

BF 8.4.81

EF
Ewan BL



10 DOWNING STREET

From the Private Secretary

30 March 1981

Dear Don

I enclose a letter to the Prime Minister from the Hospital Doctors' Association, who wish to know what transpired when the Prime Minister saw Sir Robert Clark in January.

BF

I should be grateful if you could let me have a draft Private Secretary reply by 8 April.

I am sending copies of this letter, and enclosure, to Peter Jenkins (HM Treasury) and David Wright (Cabinet Office).

Yours truly

Mike Pitts

Don Brereton, Esq.,
Department of Health and Social Security.

BIC.

24



10 DOWNING STREET

From the Private Secretary

30 March, 1981.

I write on behalf of the Prime Minister to thank you for your letter to her of 25 March.

This is receiving attention, and a reply will be sent to you as soon as possible.

M. A. PATTISON

Dr. J.J.F. Herbert

AC

Prime Minister to Sec.
E. P. Sec.
for Th.

CONFIDENTIAL

MR. LANCASTER

cc: Mr. Ingham
Mr. Duguid

REVIEW BODIES

W

The Prime Minister might like to know the latest position on the reports of the three Review Bodies.

We expect the TSRB to report very soon, possibly next week; but it will of course as agreed not contain any new recommendations, merely a reference to the desirability of implementing last year's recommendations. An issue will then arise as to whether to ask them immediately to advise on the distribution of a 7% settlement, in order to demonstrate to the rest of the Civil Service the Government's determination to stick to that figure.

The timing of the AFPRB is not yet known, but it is believed that the draft is still at an early stage. The Treasury have been quietly feeding in some further evidence on the cost of Armed Forces pensions, as a result of the early retirement provisions, and it is hoped that this may contribute to the Review Board's recommendations being kept to a modest level.

The DDRB is expected to report in the second week in April, and may pose a difficult problem. We have informal indications that it will recommend 8½% for the doctors and dentists. That has immediate implications for nurses, and therefore for the ability of Mr. Jenkin to accommodate the NHS pay bill within his cash limit; and there could be difficult secondary effects in the Civil Service.

The issues raised by the Review Boards will of course be discussed in the appropriate official and Ministerial machinery; and it is quite normal for no Government response to be given for a week or two after receipt, so that it may be possible for decisions to wait until the Prime Minister's return from her foreign visit.

W

27 March 1981

CONFIDENTIAL



HOSPITAL DOCTORS' ASSOCIATION
Constituent Body of the British Hospital Doctors' Federation

**The Old Court House
London Road
ASCOT, Berks. SL5 7EN**

Telephone Ascot 26613

JJFH/PM

Mrs. Margaret Thatcher,
10 Downing Street,
London S.W.1.

March 25th 1981.

R28

Dear Mrs. Thatcher,

This Association has been given to understand that you recently in the words of our informant "summoned" the Chairman of the Doctors' and Dentists' Review Body to see you at the House of Commons. Since then, we have asked the press, our informant, the Office of Manpower Economics and the DHSS what the talks were about, to no avail.

We have always given our full support to the concept of an independent review body to decide doctors' pay awards, but have had serious reservations about the independent status of the DDRB. You do not need the HDA to tell you how low hospital doctor morale is at present, so now it is not probably the best time to be destroying the medical profession's confidence in the DDRB's independence.

If such a meeting did, in fact, take place, I suggest that it might be advisable to let our profession know what took place. Since it is unlikely that this year's Report will be viewed favourably by the majority of the profession, now would seem a good time to be bolstering, not destroying, our confidence in the DDRB.

I look forward to hearing from you.

Yours sincerely,

J.J.F. HERBERT. (JR)
ASSOCIATION CHAIRMAN.



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

T. P. Lankester, Esq



Handwritten initials 'R' and '25/2' in blue ink.

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319

BRIDGEWATER HOUSE
CLEVELAND ROW
ST. JAMES'S
LONDON
SW1A 1DG
01-836 9090

ms

PERSONAL AND CONFIDENTIAL

19th February 1981

Sir Robert, RA

CABINET OFFICE
A 497.....
20 FEB 1981
FILING INSTRUCTIONS
FILE No. _____

Thank you for your letter of 12th February.
I confirm that I am content with this as a record
of our discussion. You will of course appreciate
that the Review Body would not think it right to
bind itself to a particular course in advance of
reporting. I can, however, say that in the
exceptional circumstances of this Review, my
colleagues and I, as they see the situation at
present, accept that the general approach you and
I discussed represents the best available way to
proceed.

*Yours sincerely
Edwin Norton*

Sir Robert Armstrong KCB CVO
Secretary of the Cabinet
Cabinet Office
70 Whitehall
London SW1A 2AS

T. P. Lankester, Esq.



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319



*See
Elon P.O.*

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A04260

12th February, 1981

I write to record the outcome of our discussion on Tuesday 27th January.

The problem was to find a basis for this year's report by the Top Salaries Review Body which was realistic and at the same time would preserve the Review Body's credibility and thus its power to be effective in future.

If the Review Body were simply to update the figures which it recommended last year and recommend accordingly, the resulting increases would certainly be at levels which the Government would be unable to accept. It was highly desirable to avoid a second rejection of Review Body recommendations.

If the Review Body updated the rates decided upon by the Government last year, by an amount which reflected the sort of percentage increases that seemed to be emerging for the public services, the resulting rates would certainly be less than the Review Body recommended a year ago. If the Review Body recommended accordingly this year, the Review Body itself - and indeed the whole system of Review Bodies - would lose much credibility.

You therefore had in mind an approach on the lines which you had foreshadowed at your meeting with the Prime Minister on 15th January, as follows:

- (a) In its published report the Review Body would note that their 1980 recommendations in TSRB 14 had not been implemented in full, would confirm that the Review Body still considered the rates then recommended to be appropriate (at 1st April 1980), and would express the hope that they would be implemented in full as soon as possible. The report would say that, until such time as that was done, there seemed to the Review Body no basis upon which they could make new recommendations. The report would say, however, that the Review Body was proceeding with a basic review of the salaries within its remit with a view to recommending new figures in its next report related to 1st April 1982. It would go on to indicate a number of

/particular

The Lord Plowden, KCB, KBE

particular matters to which the Review Body thought it right to give further consideration for their next review: such matters as the pay of the judiciary, relativities within the Higher Civil Service, the possibility of a range rather than a flat rate of pay for Under Secretaries, and the relationship between civilian and military salaries at these levels.

- (b) You told me that you believed that, if the Government did not feel able to implement the TSRB 14 recommendations in full for 1st April 1981, the Review Body would be willing, if so requested, to advise upon the distribution of whatever amount the Government did feel able to make available. The assumption was that this would be a figure not out of line with cash limits and with the level of settlements in the public services (particularly, of course, the rest of the Civil Service), though you recalled that at the meeting on 15th January the Chancellor of the Exchequer had indicated that in deciding upon the amount the Government might take into account the fact that the TSRB groups were the only Review Body groups whose recommended increases in 1980 had not been fully implemented.

You thought that the request for and provision of advice on distribution would have to be separate from and subsequent to the published report. The Government would have to take responsibility for the salary levels determined. I said that I could see that the Review Body might want to avoid a position in which they recommended actual rates. One possibility might be for the Review Body to indicate the points at which and the ways in which the distribution should be varied from that which would result from an equal percentage increase at all levels; in the light of that advice the Government would reach its decisions on the structure of salary rates. We agreed that this did not need to be settled at this stage: the best way to proceed could be decided later on, once the general approach had been agreed.

You said that you believed that this general approach should be acceptable to the members of the Review Body. I said that I thought that the Prime Minister was minded to agree that it was likely to be the best available, but that I should wish to consult her and her colleagues again before confirming that. I can now confirm that they are content with the general approach; and that, given that last year's recommendations have not yet been fully implemented, they accept that it would be in the best interest of all concerned not to put forward a new set of figures this year.

We thought that, if this was agreed between us, there should be no need for a letter from the Prime Minister: the matter could rest on the basis of this letter as a record of our discussion. I should be grateful if you would confirm that you are content with it as such.

ROBERT ARMSTRONG

12/E 2
CONFIDENTIAL



Full
can pd

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

TOP SALARIES REVIEW BODY: SENIOR PUBLIC SERVANTS

This is just to record briefly for the sake of keeping the papers straight that when you saw the Prime Minister this morning, she had a word with you about your minute A04111 of 28 January 1981 about your meeting on 27 January with Lord Plowden and about the proposal that you should send him a personal letter to confirm what was agreed in your discussion with him.

The Prime Minister said that she was content with the draft letter attached to your minute, subject to only one point. Against the possibility that the letter would leak, she thought that it should make it clear that rather than the TSRB offering to provide advice privately on how a sum of money which fell short of what was required to implement the TSRB 14 recommendations in full should be distributed, it should be for the Government to request such advice from the Board. The letter should therefore not include phrases like "the Review Body would be willing to advise privately upon the distribution of whatever amount the Government did feel able to make available" and "both the offer to give advice and the provision of it would be private". The draft letter should be revised in this respect to safeguard Lord Plowden's position.

You said that you would re-draft the letter accordingly. It might be appropriate to include a sentence on the lines of "You thought that the Review Body would be willing to receive a request from the Government to advise on how the amount which the Government felt able to make available should be distributed". You would discuss the letter further with Lord Plowden and report back.

9 February 1981

C. A. WHITMORE

CONFIDENTIAL

B

CONFIDENTIAL



HOUSE OF LORDS,
SW1A 0PW

Prime Minister

Adson

Top Salaries Review Body: Senior Public Servants

12

Sir Robert Armstrong has sent me a copy of his minute to you of 28th January.

6/2

I have one small point on the draft letter to Lord Plowden. Towards the end of (a) on page 2 the draft refers to "the pay of judges of the High Court 'and upwards'". Salaries at these levels are of prime importance but any review needs to cover the judiciary as a whole and, in particular, to consider the impact of any proposed changes on the pay of Circuit judges who are by no means easy to recruit. This is not to say that existing differentials should necessarily be preserved, but salaries for the superior judiciary cannot be reviewed in isolation. I should, therefore, prefer to see "the pay of the judiciary" substituted for the present wording.

I am sending a copy of this minute to Sir Robert Armstrong.

H: of S: M.

2nd February 1981

CONFIDENTIAL

CONFIDENTIAL

240



From the Private Secretary

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

John Wiggins Esq
Private Secretary to the Chancellor of the
Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

2 February 1981

Dear John,

*will revert
if required*

R.

ECONOMIC EVIDENCE TO THE TOP SALARIES REVIEW BODY

Thank you for your letter of 29 January enclosing the revised version of the economic evidence for the Top Salaries Review Body which the Chancellor had approved.

The Lord President was content with this, subject to two points. First, he does not accept that the figures in paragraph 4 of the re-draft on redundancy payments and unemployment rates are a fair basis of comparison between the public sector staff concerned and their private sector counterparts. Secondly, the statement in paragraph 5 that the public sector wage bill has risen twice as fast as the private sector could well have been provocative to the TSRB, because they know that this is partly the result of the staging of public sector settlements due earlier (the TSRB's own previous recommendations having been staged).

It was necessary to submit the evidence on Friday afternoon and unfortunately time did not permit further consultation on these points. However the Lord President hopes the Chancellor will agree that the final version submitted, of which I attach a copy, is still a cogent and sharp presentation of the economic considerations.

...

I am copying this letter to the recipients of the earlier correspondence.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

CONFIDENTIAL

THE ECONOMIC FACTORS

1. There is no disguising that the current economic climate is severe. Its impact on the level of pay settlements is already clear. The Government is confident that the Review Body, in framing its recommendations, will wish to recognise these factors.
2. Severe financial pressures have been placed on employers by a combination of the world recession and by pay increases over the past few years higher than could be afforded. Because these pay increases have been nowhere near matched by productivity increases, they have sharply reduced our international competitiveness. In the private sector, the result has been both to squeeze profit margins severely, and to force redundancies and short-time working. The unemployment figures show this only too clearly. Unrealistic pay increases anywhere in the economy will further reduce our competitiveness, and lead to further - and unnecessary - job losses.
3. This situation is recognised in many recent private sector pay settlements. In road haulage, settlements so far have ranged from 3.0 per cent to 6.8 per cent; BL have settled at 6.8 per cent; Rolls-Royce range between $5\frac{1}{2}$ per cent and 8 per cent; the National Engineering Agreement is for 8.2 per cent; and some settlements, for example in the textile industry, have provided for no increase at all. The latest figures for the CBI Databank show that the average for settlements in manufacturing industry is now into single figures, and the level is still declining.
4. Equally important is the evidence about unemployment, resulting from widespread plant closures and redundancies in the private sector. This highlights the importance in current circumstances of job security in the public sector. Moreover redundancies in the private sector are not confined to manual grades or non-manual grades up to lower managerial level. They have affected the equivalents of the top salaries group as well. Where major workforce slimming has taken place management has not been exempt.
5. The financial pressures on the public sector are also important. The PSBR must be reduced if the Government's monetary aims are to be

achieved without placing an intolerable burden on industry through high interest rates. The task of reducing the PSBR is made more difficult by the fact that the recession has inevitably pushed up borrowing requirements. The Government has announced cuts in the volume of spending and increases in revenue, but these by themselves are not enough. Over half of central government cash limited expenditure and 70 per cent of local authority current expenditure, goes on wages and salaries. The rising public sector pay bill has inevitably put an increasing burden on the rates and taxes paid by the private sector.

6. A key part of the mechanism for controlling spending in the public services is cash limits. In setting cash limits for the public services, the Government has to decide how much can be afforded in the light of the facts set out above. The inevitable conclusion is that there are very strict limits on what can be provided for increases in public service pay in 1981-82. Considerations such as comparability have to take second place. No group, whether in the public or the private sector, can be insulated from the current difficulties which limit the ability of employers to finance increases. Probably the most important comparison to make is with the steadily declining level of pay settlements. The suspension of pay research for the non-industrial Civil Service is one reflection of these changed circumstances.

7. The Government has announced that the RSG cash limit for 1981-82 will provide for increases in earnings of 6 per cent from due settlement dates, and that other cash limits will be set within broadly the same financial disciplines.

8. The Chancellor of the Exchequer made clear on 24 November 1980 that the Government thinks it desirable for the future to avoid the delay or staging of pay awards and will avoid it where it is itself the employer. The Treasury and Civil Service Committee have taken the same view in their Fifth Report (Session 1979-80). In the past

PART 2 ends:-

30.1.81

PART 3 begins:-

2.2.81