

SECRET

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TSRB Reports on Salaries of Senior Civil Servants, Senior Members of Armed Forces and Judges.

ECONOMIC
POLICY

Policy towards next round of Review Body Reports

Part 1: May 1979

Part 8: Dec 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
29.8.86							
12.9.86							
15.9.86							
29.9.86							
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ENDS							
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PREM 19/1719

PART 8 ends:-

DHSS to DN 29/19/86

PART 9 begins:-

DN to PM 27/10/86



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522 ext 6981

From the Permanent Secretary

Sir Kenneth Stowe GCB CVO

David Norgrove Esq.,
No. 10 Downing Street,
LONDON SW1

29 September, 1986

pa
Dear David.

PERFORMANCE RELATED PAY FOR GRADES 2 AND 3

We discussed at dinner on Thursday night the lack of progress on the TSRBs recommendation about performance related pay and you provoked me by your assumption that all the Permanent Secretaries were opposed to it. I said that I was not only in favour of it but thought it quite indefensible that Permanent Secretaries pay should have been substantially increased while the related increase for sustained high performance among the Grade 2s and 3s was not being made available. In my view it is neither difficult nor objectionable to proceed rapidly with the implementation of the TSRB recommendation.

Some work has been done on this - the MPO can tell you all about it - but I have not been satisfied by anything I have seen so I set out my own views in a note for Robert Armstrong. I think you will find the enclosed copy of my letter to Robert, and its attachment, self-explanatory.

It is perhaps a little out of order for me to bend your ear in this matter but since you sought my views I am giving them to you! I have no objection, of course, to your showing this letter and its enclosure to Nigel Wicks.

Yours ever

Ken Stowe.



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522 ext 6981
From the Permanent Secretary
Sir Kenneth Stowe GCB CVO

Sir Robert Armstrong, GCB, CVO,
Cabinet Office,
Whitehall,
London SW1

28 July, 1986

My dear Robert.

GRADES 2 AND 3 - DISCRETIONARY PAY
AND PERFORMANCE APPRAISAL

I found the two papers on this, and the subsequent letters, very hard to digest and I did not feel that our second reading debate around your table yesterday brought me to any clearer conclusions. So, I have tried to think the situation through from my standpoint here, building on some of the important points that came out of our discussion and setting down conclusions in a form that I think I could live with and operate. The note at Annex is the end result.

What seemed to me to be missing from the papers was a sufficiently clear explanation of the timescale and the dynamics of the system. To clarify my mind on this, I worked through, with my senior staff secretary, all of our grades 2 and 3 - a total of about 57 individuals - identifying those in respect of whom I could say now that sustained high performance had been achieved; and going on to think through the probable path of their progression to the maximum of the discretionary scale assuming that they maintain their performance at a very high level. (I make the assumption that there can be no question of going immediately to the maximum of the discretionary scale, i.e. there must be at the very least a 3 year transitional period before the system is bearing its full weight).

The conclusions from this dummy run were that I would probably want to put at most 2 Grade 2s and 13 Grade 3s on to the first

discretionary increment. From what Peter Kemp tells me I am not too far out from what the operational research modelling suggests might be my end state, although of course it by no means follows that all of those who are put on to the first discretionary increment proceed to the second and third or, even if they do, proceed in the successive years.

The conclusion I draw from this is that a properly controlled system should be able to be fitted in at tolerable cost and I see no great merit in bickering as to whether we should aim to come out at 1% or 2%, or somewhere in between, of the total salary costs for these grades. We should have sufficient confidence in the system and our capacity to work it rigorously to rest on the principle that the cost would be found from within the running-cost limits.

Some more general points:

- 1) I am sure that we need not impale ourselves on the hook of withdrawal but should adopt the procedure we are following in the health authorities scheme of "stand still". This in turn makes it practicable to make the increment superannuable. Of course there is a cost but I take very strongly the point put to me here that beyond a certain level the enhancement of pension level is a very real motivator. I have not assumed superannuability in the annex, but I think it might well be a concession we would be wise to make to the staff interests in due course.
- 2) As you will see, I think we should construct the performance appraisal procedures so as to underpin the discretionary pay, and I am attracted to the idea of making the sub-committee of SASC responsible for overseeing the performance appraisal system.
- 3) I gather that we have lost the principle that the normal increments should require positive certification. I regret that and hope that we can construct a sufficiently rigorous and attractive performance-pay system to justify re-opening this issue with Ministers. It is fundamental to the challenge which we must sooner or later take up, of reforming the incremental system as a whole.
- 4) As to the cost of operating the system, which Peter Middleton referred to, I do not think we should either ignore this or be intimidated by it. I see nothing wrong in spending money (provided we know how much it is) in compelling ourselves to evaluate the performance of staff whether for performance bonuses or discretionary increments. If we ever reformed the incremental system, then that will necessarily incur some cost although I would hope that it will be more than recovered by gains in efficiency.

E.R.

MANAGEMENT - IN CONFIDENCE

- 3 -

You said that you would reconvene the meeting after Peter Kemp had furnished some statistical material, which I await with interest. I think it might be helpful to reconvene it on the basis of a note drawing the threads together. My note at the Annex might be a contribution to this.

Enough paper has gone round the network so I am copying this only to Anne Mueller and Peter Kemp but circulate wider if you wish.

Yours ever.
Ken

MANAGEMENT - IN CONFIDENCE

DISCRETIONARY INCREMENTS AND PERFORMANCE APPRAISAL

1. Ministers have decided that a system of discretionary increments should be introduced to reward and motivate sustained high performance from staff at Grade 3 and Grade 2, whose professional competence and commitment is essential to the effective performance of Departments.

2. The increments will recognise sustained high performance by individuals. They will, therefore, be related to individuals, not posts: once awarded they will follow the individual to any other post in the Civil Service, including temporary or permanent secondment to other Departments. Those on secondment will be eligible in the Department where they are working and their performance can be judged.

3. The system will be run, as regards Grade 3, under central guidance from the Head of the Civil Service, with authority to award increments delegated to Heads of Departments at Grade 1 level. For Grade 2, the system will be centrally managed.

Note: his is a good idea, but who does not have the capacity to do this will be currently staffed.

4. For this purpose the Head of the Civil Service will need to be supported by a panel of senior advisers (i.e. a Sub-Committee of SASC) with one or two recently retired Permanent Secretaries who will have time:

- a) to assess the performance appraisal reports submitted to the Head of the Civil Service by Heads of Departments (see below at paragraph 5); and
- b) to participate as counsellors in Departmental awards to Grade 3's - Sir George Moseley, Sir Lawrence Airey and Sir Geoffrey Otton are possibilities.

5. The advisory panel will require from Heads of Departments performance appraisal reports for eligible staff. These should cover:

- relevant personal details;
- a brief description of the officer's current responsibilities and main tasks (including the resources for which he/she is directly or indirectly accountable), and any key objectives;
- a general assessment of performance over the previous three years, and a specific assessment of

what has been achieved over the previous year, with particular reference to any objectives specified e.g in a Departmental management accounting framework (MINIS etc).

6. The system will begin in the financial year 1987/88, i.e from 1 April 1987.

NOTE: It will need to be decided whether these discretionary increments are awarded from a common date or, like other increments, from the anniversary of the officer's entry to the grade. The former leads to congestion; the latter is more easily managed; but the highly competitive nature of the awards points perhaps to a common date for selection. The financial consequences can also be more easily budgetted for.

7. Sustained high performance, by definition, will not be measured only in relation to the previous year, but to at least the three previous years. Even so, the reports on performance should be made at the end of each financial year; and submitted to the advisory panel within [3] months of that date.

8. In the case of Grade 2s the recommended awards should be submitted to the panel by [end August]. In the case of Grade 3s the awards decided by the Head of the Department should be notified to the advisory panel by [end August]. In the first year or two it will be prudent for Heads of Departments to consult on any marginal Grade 3 cases before implementation.

9. The first performance appraisal reports will be need to be completed in April-June 1987. The Head of the Civil Service will be issuing guidance to Heads of Departments on the lines of paragraph 5.

The Procedure for Awarding Discretionary Increments

10. For Grade 3, eligibility for the first increment will not occur until the officer has completed four years in the grade, i.e he will reach his maximum on the automatic scale at the beginning of year three, complete that year on the maximum, and be eligible for a sustained high performance award in respect of the next year (year four).

11. In subsequent years he will be eligible for further discretionary increments but:

a) it is not assumed that he will, even if of the highest quality, qualify for a discretionary increment immediately he is eligible (end of fourth year); and

b) it is not assumed that sustained high performance will automatically lead to the award of the three available discretionary increments in three successive years.

12. A very good performer indeed might, therefore, get to the maximum of automatic and discretionary awards at the end of six years but it is more likely that it will take seven or eight, with marking time at some stage.

13. For Grade 2, the same procedure would apply even though the normal maximum is reached one year sooner, i.e the Grade 2's would spend three, rather than two years on the automatic maximum before becoming eligible for a discretionary increment.

14. It is not envisaged that discretionary increments will be withdrawn, once awarded, save in the most exceptional circumstances. If in the exceptional case the officers performance fades very badly, then a standstill will apply until the normal maximum catches up with his salary. But in these circumstances other considerations begin to be relevant.

Performance Appraisal

15. Regular appraisal of performance will be undertaken for all in Grade 2 and Grade 3 irrespective of whether they are yet eligible for discretionary increments for sustained high performance: the concept of "sustained" performance makes this necessary. The form of the performance appraisal will follow the outline in paragraph 5. Guidance on this outline will be issued by the Head of the Civil Service, with the advice of the advisory panel, as soon as possible so that Heads of Departments can review their existing arrangements and ensure that they have got adequate appraisal on the record for all relevant staff in good time for the start of the new system. It will be an important part of the performance appraisal system that there should be regular feedback to the officers concerned on how their performance has been judged by their seniors.

Heads of Smaller Departments

16. Special arrangements will be needed, under central direction, for the performance appraisal of Grade 2s heading smaller departments and their assessment for discretionary increments. This may well raise new questions of accountability relating to these officers.

SUBJECT
cc master

APPOINTMENTS IN CONFIDENCE
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File BF
ccBG
ccB/JP

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 September 1986

Dear Alex,

FUTURE OF THE TOP SALARIES REVIEW BODY

The Prime Minister this afternoon held a meeting to discuss the future of the Top Salaries Review Body on the basis of a minute from the Chancellor of the Exchequer of 22 July and later correspondence. Present were the Chancellor of the Exchequer, the Lord Chancellor, the Lord Privy Seal, the Secretary of State for Defence, the Minister of State, Privy Council Office and Sir Robert Armstrong.

The Chancellor said that recommendations of the TSRB always caused great difficulty. In his view the right answer would be to abolish it. However, it had not proved possible to reach agreement on the need for abolition at this stage. His paper set out a range of options but at present there were only two which seemed worth considering further. First, the TSRB could in effect be suspended for 1987. The original intention in setting up the TSRB had been that it would report only every other year. But with high inflation that had not proved possible. If the TSRB were suspended in 1987, people covered by the TSRB could receive the same increase as the bulk of the Civil Service or they could perhaps be awarded an increase equal to inflation. Secondly, it seemed right to broaden the range of the members of the TSRB. There would be three vacancies in the short term, and the size of the committee could be increased.

In discussion it was agreed that the proposal to suspend the operation of the TSRB in 1987 should not be pursued further. Although there were attractions in the idea its main effect would be to postpone the difficulties to the following year; they would not disappear.

It was further agreed, in discussion of possible new members of the TSRB, that they should not be former civil servants. Miss Sheila Browne, Mr. Christopher Everett, Mr. Tom Jackson, Mr. Jack Peel, Lord Barnett, Sir Richard Marsh, Mr. James McFarlane (Director-General of the EEF) and Mrs. Margot Hook (of Wallace Arnold) were ruled out for this or other reasons.

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Names left in contention were Mrs. Sarah Hogg, Mr. Derek Birkin (of RTZ), Lord Bruce-Gardyne, Professor Sir John Kingman, and the Venerable Frank Harvey. Other people mentioned who should be considered were Mrs. Jean Parker (Chairman of the CBI Small Firms Committee), Mrs. Shirley Letwin (of the IEA), Mrs. Patrica Hodgson, Martha Hamilton (headmistress of St. Leonard's School in Scotland), Mrs. Helen Scott (who ran a firm called 'British Steam Specialities'), and Mrs. Brook of the Brook Street Bureau.

The Prime Minister concluded that these people should be further considered and there was a need for other names to be brought forward. It would be helpful if the Lord Chancellor could propose one or two solicitors as candidates, preferably women. Sir Robert Armstrong should consider names available from the Public Appointments Unit. It would be desirable to achieve a good spread of people including particularly some based away from London and to include one or more people from small firms.

I am copying this letter to Richard Stoate (Lord Chancellor's Office), John Howe (Ministry of Defence), Steven Wood (Lord Privy Seal's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Paul Thomas (Office of the Minister of State, Privy Council Office), and Michael Stark (Cabinet Office).

John,
David.

DAVID NORNGROVE

Alex Allan, Esq.,
H M Treasury

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APPOINTMENTS IN CONFIDENCE

PRIME MINISTER

TSRB

The main papers are:

- A Policy Unit brief
- B Brief by Sir Robert Armstrong
- C Paper by the Chancellor
- D Minute from Mr. Tebbit
- E Minute from the Lord Chancellor

Radical Options

I suggest you start with radical options, though only Mr. Tebbit is keen to discuss them. They are, in order of radicalism:

Radical options

- (i) abolish the TSRB and put nothing in its place (the Chancellor's option C);
- (ii) abolish the TSRB and make other arrangements as proposed earlier by the Chancellor (option D);
- (iii) suspend the TSRB for a period (discussed in option B);
- (iv) retain the TSRB (also option B) but ask it to (one or a mixture):
 - report on request
 - advise on pay ranges
 - advise on pay increases rather than pay rates, and constrain along Megaw lines
 - divide up a specific amount of money.

My own very strong feeling is that at present any major changes to the operation of the TSRB would damage the Civil

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Service, and ^{but} damage has to be set against any benefits to pay policy or public expenditure control. It would of course have an effect on the people covered by the TSRB, but - perhaps more important - Principals and Assistant Secretaries would be further discouraged, adding to the flood of the best people from the Treasury and one or two other Departments at that level. There may well be ways of helping the situation which would not involve keeping the TSRB, but they are not in sight yet. (The figures for turnover often quoted are nonsense: only the best people are leaving, and comparisons with figures for turnover in the private sector ignore the fact that when people leave their employers in the private sector they are usually replaced by others of equivalent skill and experience, often at higher salaries than were received by those who left. That is not - yet - happening in the Civil Service).

Less Radical Options

These are discussed as the Chancellor's option A, and comprise:

- (i) changing the terms of reference: the Chancellor's paper includes a draft, on which Mr. Tebbit has commented, but the Chancellor himself does not mention this in his minute to you;
- (ii) changing the time of the report so that it falls well after the general Civil Service settlement; again the Chancellor does not mention this in his minute; Mr. Tebbit is in favour;
- (iii) changing the composition; see below.

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(iii) Composition

Lord Plowden	Only Mr. Tebbit seems to want him to go
Sir Robin Ibbs	Everyone who has commented wants him to stay
Sir Thomas Skyrme	The Chancellor and Mr. Tebbit want him to go. The Lord Chancellor, Lord Plowden and Sir Robert Armstrong want him to stay
Sir Harold Atcherley	All agree he should go
Sir David Orr	Going
Mrs. Alison Wright	Already gone

The TSRB also includes Lord Chorley, Sir Peter Matthews and Andrew Morritt, Q.C., but their terms are not yet up. So if Lord Plowden and Sir Thomas Skyrme are retained there will be three vacancies.

(a) Replacement for Mrs. Alison Wright:

Miss Sheila Browne	Favoured by the Chancellor if it is felt a woman is needed.
Mrs. Mary Moore (Principal St. Hilda's)	Lord Plowden would like a woman member and would favour Mrs. Moore over Miss Browne. Sir Robert Armstrong agrees.
Mrs. Sarah Hogg	Lord Plowden and Sir Robert Armstrong are against, a possible for the Chancellor and the Lord Chancellor, Lord Privy Seal and Mr. Luce in favour.

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(b) Replacements for Sir Harold Atcherley and Sir David Orr:

Sir John Kingman Favoured by the Chancellor over any of the women, but would drop if a woman chosen. Lord Plowden would welcome.

The Venerable Frank Harvey (Archdeacon of London) Strongly favoured by the Chancellor. Lord Plowden content.

Lord Barnett Favoured by the Chancellor. Lord Chancellor and Lord Plowden against.

Lord Bruce-Gardyne A possible for the Chancellor. Preferred by the Lord Chancellor to Lord Barnett. Lord Plowden against.

Mr. Christopher Everett (Headmaster, Tonbridge School) A possible for the Chancellor. Lord Plowden would welcome.

James McFarlane (Director-General of the Engineering Employers' Federation) Proposed by Mr. Luce.

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Mr. Geoffrey Wilson
(Chairman of Delta)

Proposed by Sir Robert Armstrong;
Chancellor against.

Mr. John Raisman
(ex-Chairman of Shell)

Proposed by Sir Robert Armstrong;
Chancellor against.

Mr. Derek Birkin
(Chief executive RTZ)

Proposed by the Chancellor.

Other names mentioned by the Chancellor:

Patrick Minford
Tom Jackson
Jack Peel

Mr. Tebbit sees no reason to have academics, journalists, churchmen, headmasters, semi-retired politicians or trades unionists and would prefer further industrialists and particularly employers in small firms.

D&N

DAVID NORGROVE

12 September 1986

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CC B/UP

PRIME MINISTER

12 September 1986

TOP SALARIES REVIEW BODY

In paragraph 7 of his note, Sir Robert Armstrong says that since 1971 Top Salaries have fallen relative to both average earnings and pay levels prevailing in other high paid occupations. This is no doubt true, but Top Salaries have actually increased relative to other Civil Service salaries and indeed retail prices. (See attached table for 1970 to 1985). This is the nub of the problem: so long as there is one law for the bosses (even if they themselves are underpaid) and another for the masses, there will be political flak and low Civil Service morale. 1 →

We continue to believe that the right thing is to abolish the TSRB; for senior Civil Servants to get the same average pay rise as other officials, and for the Admirals and Generals to get the same rise as their troops. If the Government had direct control of Top Salaries it ought also to be easier to introduce a performance payment system for senior grades similar to the private sector such that good officials were paid very substantially more than they could ever hope to be paid by a TSRB award applying (essentially globally) to both the good and bad alike. The trick would be to announce that the new system would be established within a year at the same time as abolishing the TSRB.

Although tinkering with the TSRB is unlikely to produce all the changes we want, if this route is adopted it is surely best to change both the terms of reference and the membership. We would strongly support Nigel Lawson's more balanced membership, and in this regard why not have the industrial members from the average paying companies rather than the high payers. (See attached extracts from company reports).

Peter Warry
PETER WARRY

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	Salary from 1 April 1970	Salary from 1 April 1985	Percentage increase
Head of the Home Civil Service	£12,700 ^a	£75,000 ^b	490.6
Under Secretary	£6,510 ^a	£34,000 ^c	422.3
Assistant Secretary (max.)	£5,640	£25,533	352.7
Principal (max.)	£3,902	£18,363	370.6
Higher Executive Officer (max.)	£2,392	£11,265	370.9
Executive Officer (max.)	£1,835	£8,917	385.9
Clerical Officer (max.)	£1,253	£6,293	402.2
Retail Prices Index	72.5	373.9	415.7

Notes

- (a) Salary payable from 1 July 1970.
- (b) Salary payable from 1 March 1986. The TSRB recommended a salary of £75,000 from 1 April 1985. The Government accepted the recommended salary but decided to implement the award in two stages: half of the increase (£63,125) from 1 July 1985 and the balance from 1 March 1986.
- (c) Salary payable to an Under Secretary on the maximum point of the scale from 1 March 1986. The TSRB recommended a three-point scale (£31,000; £32,500; £34,000) from 1 April 1985. The Government accepted the rates recommended but decided to implement the award in two stages: half of the increase (£30,975; £31,000; £31,750) from 1 July 1985 and the balance from 1 March 1986.

SPECIAL NOTE

**ITEM SCANNED AS SUPPLIED
PAGINATION IS AS SEEN**

25 COMMITMENTS AND
CONTINGENT LIABILITIES

ICI
(Sir Robin Hobbs)

NOTES RELATING TO THE ACCOUNTS

	GROUP		COMPANY	
	1985	1984	1985	1984
	£m	£m	£m	£m
Commitments for capital expenditure not provided for in these accounts (including acquisition of share and loan capital in subsidiary and other companies):				
Contracts placed for future expenditure	148	109	86	68
Expenditure authorized but not yet contracted:				
Chemical interests of Beatrice Companies, Inc.	—	647		
Other	447	389	289	209
	595	1,145	375	277

Contingent liabilities existed at 31 December 1985 in connection with guarantees and uncalled capital relating to subsidiary and other companies and guarantees relating to pension funds, including the solvency of pension funds. Other guarantees and contingencies arising in the ordinary course of business, for which no security has been given, are not expected to result in any material financial loss. Litigation and other proceedings against companies in the Group are not considered material in the context of these accounts.

The maximum liability in respect of guarantees and uncalled capital at 31 December 1985 would be £119m (1984 £162m) for the Group, including £96m (£127m) in respect of guarantees of borrowings by Corpus Christi Petrochemical Company, in which the Group has a 37.5 per cent interest. The maximum liability for the Company, mainly on guarantees of borrowings of subsidiaries, would be £869m (1984 £1,098m).

In 1983, 1984 and 1985 the Company agreed to make special payments aggregating £51m per annum, each over a three year period, in respect of increased benefits under the Staff Pension Fund and the Workers' Pension Fund; at 31 December 1985 the instalments still to be paid totalled £101m.

26 EMOLUMENTS OF DIRECTORS
AND EMPLOYEES

The total emoluments of the directors of the Company for the year were £1,732,000 (1984 £1,712,000) including £118,000 (£77,000) in respect of non-executive directors. Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £3,982,000 (1984 £2,871,000).

The table which follows shows the number of directors and employees of the Company, other than those who worked wholly or mainly outside the UK, whose emoluments during the year were within the bands stated (excluding employees whose emoluments were below £30,000):

Emoluments £	Directors		Employees		Emoluments £	Directors		Employees	
	1985	1984	1985	1984		1985	1984	1985	1984
5,001- 10,000	1				110,001-115,000			2	3
10,001- 15,000		6			115,001-120,000			1	
15,001- 20,000	5				120,001-125,000			1	
30,001- 35,000	1		363	303	125,001-130,000			2	
35,001- 40,000			244	151	135,001-140,000			1	
40,001- 45,000			148	90	145,001-150,000			1	
45,001- 50,000	1		69	60	150,001-155,000			1	
50,001- 55,000			55	27	170,001-175,000	1			
55,001- 60,000			36	23	175,001-180,000		1		
60,001- 65,000			32	17	180,001-185,000	1	1		
65,001- 70,000			13	5	185,001-190,000		1		
70,001- 75,000			14	8	190,001-195,000		2		
75,001- 80,000	1		6	4	195,001-200,000	1	1		
80,001- 85,000			7	5	200,001-205,000	1			
85,001- 90,000			4		205,001-210,000	1			
90,001- 95,000	1		3	3	215,001-220,000		1		
95,001-100,000	1		3	1	285,001-290,000		1		
100,001-105,000				1	310,001-315,000	1			
105,001-110,000			3	2					

The emoluments of the Chairman were £312,991 (1984 £287,261). Six of the directors whose emoluments are shown above for 1985 were directors for part of the year only.

119000 employees

Notes on the accounts

Continued

TURNER & NEWALL — They have been in trouble from asbestos claims of course.

5 Extraordinary items	1985 £m	1984 £m
Income from – sales of businesses and investments	3.3	0.1
Charges from – sales of businesses and investments	(0.5)	(0.2)
– closures and restructuring of business	(4.7)	(5.0)
– other, including tax		(0.3)
	<u>(1.9)</u>	<u>(5.4)</u>

6 Dividends		
Interim paid of 1.35p (1.0p)	1.5	1.1
Final proposed of 3.65 (1.5p)	3.9	1.6
	<u>5.4</u>	<u>2.7</u>

7 Earnings per £1 share	p	p
Calculated on 108,675,660 shares in issue in both years		
On net distribution basis – earnings of £29.0m (£19.0m)	26.69	17.58
On nil distribution basis – earnings of £31.5m (£20.5m)	28.96	18.84

8 Company profit and loss account

As permitted by section 228(7) of the Companies Act 1985, the profit and loss account of the Company is not presented with these accounts. Of the Group profit attributable to shareholders, profits of £14.6m have been dealt with in the accounts of the Company.

9 Employees

The average number of persons employed by the Group was	27,248	29,540
Numbers employed at 31st December	27,170	28,900
Staff costs	£m	£m
Wages and salaries	144.8	143.8
Social security costs	12.3	11.1
Other pension costs	8.4	8.9
	<u>165.5</u>	<u>163.8</u>
Directors' emoluments	£000	£000
Fees	37	37
Other emoluments including pension scheme contributions	565	379
Pensions to former directors and their dependants	188	178
Compensation to a former executive director	69	

The number of directors, and employees who earned more than £30,000 in the year, principally employed in the UK, whose emoluments (excluding pension contributions) fell within the following ranges were:

	Directors		Employees	
	1985	1984	1985	1984
5,001 – 10,000	5	5		
20,001 – 25,000	1			
30,001 – 35,000			5	5
35,001 – 40,000			6	
40,001 – 45,000		2		
45,001 – 50,000		2	1	1
50,001 – 55,000		2		
55,001 – 60,000	4			
60,001 – 65,000	1			
70,001 – 75,000	1			

The emoluments of the Chairman were £59,542 (£52,281). In addition, under the agreement referred to in his statement accompanying the 1982 accounts, the Chairman received a fee from the Company's bankers of £180,000 (£72,000 after tax) in both 1984 and 1985.

There is no pension provision for the Chairman.

The emoluments of the highest paid director were £74,089 (1984 the Chairman)

NEI

25 Directors' and employees' emoluments	1985 £'000	1984 £'000
Directors		
The aggregate emoluments of the Directors of the Company were –		
Fees	36	38
Other emoluments including pension contributions	584	541
Ex-gratia payments to former Directors	60	62
	680	641

The Chairman's emoluments, excluding pension contributions, were **£68,399** (1984 – £62,129).

The emoluments, excluding pension contributions, of the highest paid Director were **£95,003** (1984 – £82,504). The number of other Directors, some of whom served on the Board for part of the relevant year only, whose emoluments, excluding pension contributions, were within the following ranges was –

£	1985	1984
1 – 5,000	1	–
5,001 – 10,000	1	3
10,001 – 15,000	2	–
20,001 – 25,000	–	1
35,001 – 40,000	–	1
50,001 – 55,000	–	1
55,001 – 60,000	4	4
60,001 – 65,000	2	–

Employees

The number of employees in the United Kingdom whose emoluments, excluding pension contributions, were within the following ranges was –

£	1985	1984
30,001 – 35,000	4	10
35,001 – 40,000	11	8
40,001 – 45,000	2	–

26 Contingent liabilities

The Company and certain of its subsidiaries have, in the normal course of business, entered into guarantees in respect of export finance, bills discounted, performance bonds etc.

There is uncalled loan capital in a related company of **£320,000** (1984 – £320,000).

The Company has guaranteed bank borrowings and term loans of certain subsidiaries and related companies which at 31st December 1985 amounted to **£44,210,000** (1984 – £99,356,000).

There are claims outstanding which arise under contracts carried out by the Company and certain subsidiary companies. It is not possible to predict with certainty the results of these claims but the Directors believe, in the light of advice received, and taking into account counter claims, claims against third parties and provisions established in the accounts, that the outcome will not have a material effect on the Group's financial position.

29,000 employees

Courtaulds

9 Remuneration of Directors

	1985 £'000	1984 £'000
Remuneration	722	588
Of which fees represented	23	23
Payments in respect of pensions to former Directors	72	59
Six Directors (1984 seven) have waived emoluments of	27	27
Remuneration includes Chairman	£ 113,521	£ 99,052
Other Directors whose duties were wholly or mainly discharged in the UK*	Number	Number
0 - £5,000	—	2
£5,001 - £10,000	3	2
£30,001 - £35,000	1	—
£55,001 - £60,000	—	1
£60,001 - £65,000	1	2
£65,001 - £70,000	1	—
£70,001 - £75,000	1	3
£75,001 - £80,000	1	—
£80,001 - £85,000	2	—

*including one (1984 two) for part year only.

10 Remuneration of UK employees of the Group

£30,001 - £35,000	38	20
£35,001 - £40,000	19	13
£40,001 - £45,000	7	2
£45,001 - £50,000	8	1
£50,001 - £55,000	2	—
£55,001 - £60,000	1	—

70,000 Employees in total

11 Courtaulds PLC

(a) The profit and loss account includes the results of the Company and its subsidiaries. Under the provisions of the Companies Act 1948, the Company is not required to publish its own profit and loss account. The profit attributable to ordinary shareholders of the holding company, dealt with in the accounts of the Company, is £58.8m (1984 £79.2m).

(b) During the year, the Company's principal trading assets were transferred to trading subsidiaries.

12 Additional information

A breakdown of turnover and operating profit between the various business areas is shown on page 38 and of numbers employed on page 20. A breakdown of turnover by geographical manufacturing location is shown on page 38.

SAINSBURY'S

18 Employees

	Group	
	1986 £m	1985 £m
Employees' remuneration and related costs during the year amounted to:		
Wages and salaries	283.4	248.7
Social security costs	18.5	18.2
Other pension costs	15.9	14.0
	317.8	280.9
Employees' profit sharing scheme	15.8	12.1
	333.6	293.0
	1986	1985
The weekly average number of employees during the year was:		
Full-time	25,706	24,548
Part-time	38,301	37,710
	64,007	62,258
	1986	1985
The number of employees whose remuneration exceeded £30,000 was as follows:		
£30,001-£35,000	8	10
£35,001-£40,000	12	13
£40,001-£45,000	10	2
£45,001-£50,000	3	1
£50,001-£55,000	1	—

19 Directors' Remuneration

	1986	1985
Chairman	£125,000	£ 95,000
Highest paid Director	—	£103,000

Remuneration of all Directors fell within the following ranges:

	1986	1985		1986	1985
£ 0-£ 5,000	—	1	£75,001-£ 80,000	4	1
£ 5,001-£10,000	3	1	£80,001-£ 85,000	1	3
£10,001-£15,000	—	1	£85,001-£ 90,000	3	—
£20,001-£25,000	—	1	£90,001-£ 95,000	—	1
£60,001-£65,000	—	1	£100,001-£105,000	1	1
£65,001-£70,000	1	4	£115,001-£120,000	1	—
£70,001-£75,000	1	1	£120,001-£125,000	1	—

20 Tax on Profit on Ordinary Activities

	Group	
	1986 £m	1985 £m
The tax charge for the year is:		
Corporation tax	57.1	43.6
Deferred tax	2.6	1.0
Share of Associates' tax	5.7	3.4
	65.4	48.0



B

CCBGP
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Ref. A086/2527

PRIME MINISTER

Top Salaries Review Body: Meeting on 15 September at 3.30 pm

The meeting has been called to discuss the question of changes in the terms of reference and composition of the Top Salaries Review Body (TSRB) in the light of the Chancellor of the Exchequer's minute of 22 July, to which was annexed a list of possible candidates for membership and a note by the Treasury on the future of the TSRB.

2. It seems to be generally accepted that the TSRB should continue to exist, and continue to deal with the remuneration of the groups presently covered by it. I think that this is probably right. I know that last year the TSRB produced a highly embarrassing set of recommendations, the acceptance of which gave you and your colleagues a great deal of political trouble. But these are groups of senior public servants with whom there is no possibility of negotiating pay. In the end decisions about their remuneration have to be taken by Ministers. The existence of an independent review body provides some political protection for Ministers, in that they can to a degree shelter behind its recommendations when it is necessary to make increases which are in some objective sense justified but are politically embarrassing. The existence of the TSRB is also something of a protection for the groups of public servants concerned, since it is some protection against purely arbitrary but politically expedient decisions at their expense. The need for some such body of this kind is demonstrated by the fact that in practice the remuneration of these groups has always been settled with the involvement of such a body.

Terms of Reference

3. The terms of reference of the TSRB are:

"To advise the Prime Minister on the remuneration of the higher judiciary and certain other judicial appointments; senior civil servants; senior officers of the armed forces; and other groups which may be referred to it."

4. These terms of reference do not give the review body any indication as to how, or by reference to what criteria, the review body are to conduct their reviews. The Chancellor of the Exchequer argues that the TSRB remain wedded to comparability as the basis for their recommendations, and would like to try to change this. He doubts whether changing the terms of reference would do any good: he thinks that the TSRB would simply ignore them and go on reporting in their usual way. He would prefer to proceed presumably by giving strong Government evidence as to the relevant criteria and by altering the balance of membership. He would like to see a membership that reflects a broader cross-section of society with people from a wider spread of occupational backgrounds, including academics, people previously active in politics, churchmen, ex-trades union leaders and journalists. He made a number of suggestions in these categories, on which I drew for the purposes of the note which I put to you on 7 August, following your request to me to consult Lord Plowden on possible changes of membership.

5. The Secretary of State for Defence and the Lord Chancellor were inclined to agree with the Chancellor of the Exchequer's general line, and made some comments on detailed membership.

6. The Chancellor of the Duchy of Lancaster, in his minute of 30 July, wanted to see revised terms of reference which would reflect Government priorities and a substantial change in membership. He did not, however, see why we should continue to



have an academic member, and could see no conceivable reason to have journalists, churchmen, headmasters, semi-retired politicians or trades-union leaders. He would prefer to add further industrialists and particularly employers in small firms.

7. You will wish to discuss with your colleagues whether to leave the terms of reference in their existing neutral condition, or whether to try to put some kind of direction upon them, as Mr Tebbit would prefer. My personal inclination would be to leave them alone, partly for the reasons suggested by the Chancellor of the Exchequer but partly also because I think that he exaggerates the extent to which considerations of comparability determine the review body's recommendations. The review body do indeed look at levels and movements of salaries outside, and produce a great deal of information about them. But they have consistently made it clear that levels and movements outside are only one of the considerations in their minds and not by any means the determining one. Lord Plowden and Sir Robin Ibbs in particular are very well aware of the wider political context in which the review body does its work, and the TSRB recommendations have consistently been well below the levels which would be suggested by straight comparability. No doubt it is for that reason that the Treasury can say that since 1971 the pay of those concerned has fallen relative to both average earnings and pay levels prevailing in other high paid occupations. This was particularly marked between 1971 and 1979; but even since that time the TSRB groups have either marked time or lost further ground, compared to other high paid occupations.

Composition

8. I have already described the views expressed by the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster on broadening the range of membership of the TSRB. In



his minute of 30 July the Chancellor of the Duchy seemed to be strongly against the kind of broadening that the Chancellor of the Exchequer had in mind; but by the time he came to write his minute of 29 August he was once again saying that he hoped we could revert to the possibility of more far reaching changes in the composition of the TSRB, of the kind canvassed in the report under cover of the Chancellor of the Exchequer's minute of 22 July.

9. The recommendations which I suggested in paragraph 12 of my minute of 7 August endeavoured to strike a balance between the views expressed by the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster, and I do not think that it was quite fair of the Chancellor of the Duchy to describe them as doing "little more than pin new names on the same personalities".

10. You may like to invite a general discussion of the kind of people to whom we should look to serve on the TSRB; and in the light of that discussion turn to the consideration of individual names.

Chairmanship

11. The Chancellor of the Duchy questioned the desirability of retaining Lord Plowden's services as Chairman. He may revert to this point at the meeting.

12. Lord Plowden will be 80 in January. He is sensitive to this, and has repeatedly said that he does not want to go on a day longer than you want him to as Chairman of the TSRB, but his mental alertness and vigour are unimpaired, and his experience is unrivalled. I have no doubt that but for him the TSRB's recommendations over the years would have been even more



embarrassing than they have been. And he certainly does not want to stop. Indeed, the TSRB under his chairmanship has just embarked on another review of Parliamentary allowances.

11. If there is any pressure at your meeting for him to be retired, I suggest that one possibility might be to ask him to complete the review of Parliamentary allowances and undertake next year's review of top salaries, but to say that we will review the position with him again after that (there would be something to be said for making any changes in chairmanship after the election and not before).

Handling

12. You may like to invite the Chancellor of the Exchequer to open the discussion, based on his minute of 22 July. No doubt all the other Ministers will want to take part in the discussion.

ROBERT ARMSTRONG

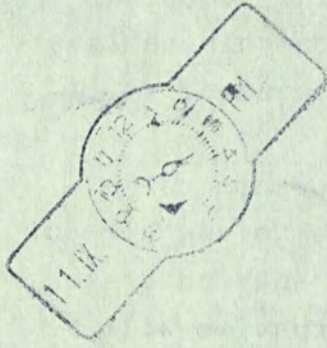
11 September 1986

Report POL



PSRB

PT 8



COMMUNICATIONS



APPOINTMENTS IN CONFIDENCE

Chancellor of the Duchy of Lancaster

BF || Pw meeting on 15/79

PRIME MINISTER

TOP SALARIES REVIEW BODY

I have been following this correspondence closely, which rests with Sir Robert Armstrong's minute of 7 August to your private secretary.

I find it surprising that, in the wake of the views expressed in correspondence last autumn, a consensus should be contemplated on the basis of changes in the membership of the TSRB which do little more than pin new names on the same personalities. We should only have ourselves to blame if we were to be presented, as a consequence, with similar unacceptable reports. I hope that in further discussion we can revert to the possibility of more far-reaching changes in the composition of the TSRB, and in its terms of reference, of the kind canvassed in the report under cover of Nigel's minute of 22 July.

I am sending a copy of this minute to Quintin Hailsham, Nigel Lawson, George Younger, John Biffen, Richard Luce, and to Sir Robert Armstrong.

NORMAN TEBBIT

29 August 1986

ECON POL

TBRB

PT8

COMMERCIAL

FORMER



Ref. A086/2307

MR WICKS

Top Salaries Review Body

Mr Flesher's letter of 4 August to Mr Alex Allan asked me to consult Lord Plowden about possible changes in the membership of the Top Salaries Review Body (TSRB). This minute records the outcome.

2. Lord Plowden would welcome a broadening of the range of experience and occupations represented on the Review Body.
3. He would welcome the reappointment of Sir Robin Ibbs for a further term.
4. His views about Sir Thomas Skyrme are close to those of the Lord Chancellor. Sir Thomas Skyrme, though legally qualified, is not so much a distinguished lawyer as a retired civil servant with knowledge of the legal profession. Lord Plowden values the expert knowledge which he brings to the task of chairing the sub-committee of the TSRB that deals with judicial salaries, and assures me that, if the representation of the law on the TSRB was confined to Mr Andrew Morritt QC, we should be very likely to end up with much higher judicial salaries. Lord Plowden would therefore like to see Sir Thomas Skyrme's appointment renewed.
5. Lord Plowden would not want to propose the reappointment of Sir Harold Atcherley.
6. That leaves three replacements to find: for Mrs Alison Wright (who resigned in 1985), for Sir Harold Atcherley, and for Sir David Orr who wishes to resign.



7. Lord Plowden would like to have a woman on the TSRB. When I consulted him earlier, he favoured Mrs Mary Moore (56), Principal of St Hilda's College, Oxford. Mrs Moore was a member of the diplomatic service for ten years from 1951 to 1961, when she resigned on marriage; the next twenty years were devoted to a family and to writing; and she became Principal of St Hilda's in 1982. She was approached once before about membership of the Review Body, very soon after going to St Hilda's, and felt then that she must concentrate her energies on the College. But she was interested and might take a different view now. If she would come, she would be Lord Plowden's first choice, as being a little younger than Miss Sheila Browne. But if she was not available he would be perfectly content for Miss Browne to be approached.

8. Lord Plowden thinks that it would be difficult to have a practising journalist on the TSRB, and for that reason is not keen on Lord Bruce-Gardyne or Mrs Sarah Hogg. He also thinks that it could be embarrassing to have Mrs Hogg on a body which in effect determines her father-in-law's salary and pension.

9. Lord Plowden would welcome Mr Christopher Everett (Headmaster, Tonbridge School) and Sir John Kingman (Vice-Chancellor, Bristol). He does not know, or know anything about, Canon Frank Harvey, the Archdeacon of London, but would be content with his appointment.

10. As to Lord Barnett, Lord Plowden feels that it would be difficult to put on the Review Body a front-bench spokesman for the Opposition, and wonders whether, if Lord Barnett were appointed, it would be felt necessary to balance him with a retired Conservative politician.



11. The Chancellor of the Duchy of Lancaster favours more industrialists and particularly employers in small firms to journalists, churchmen, headmasters and semi-retired politicians. It seems to me that the TSRB ought to include people:

- a. who are reasonably familiar with one or other of the groups with whose remuneration the Review Body deals;
- b. who have some experience of top management;
- c. who have a feel for the wider political context in which the TSRB is operating.

We are losing Sir Harold Atcherley and Sir David Orr, and I believe that it might be useful for one of the new members to have experience of top management. I should like to suggest Mr Geoffrey Wilson, the Chairman and Chief Executive of Delta, whom I have found impressive and sensible and who is interested in undertaking public work of this kind so long as it is not too demanding; or, failing him, Mr John Raisman, who recently retired as Chairman of Shell. Lord Plowden would be content with either.

12. To sum up, taking account of the views expressed by Ministers and after consulting Lord Plowden, I should like to recommend:

- a. replace Mrs Alison Wright with
 - 1. Mrs Mary Moore, or
 - 2. Miss Sheila Browne
- b. replace Sir Harold Atcherley with
 - 1. Professor Sir John Kingman, or
 - 2. Mr Christopher Everett

APPOINTMENTS IN CONFIDENCE



- c. replace Sir David Orr with
 - 1. Mr Geoffrey Wilson, or
 - 2. Mr John Raisman

- d. reappoint Sir Robin Ibbs

- e. reappoint Sir Thomas Skymre.

13. I am sending copies of this minute to the Private Secretaries to the Lord Chancellor, the Chancellor of the Exchequer, the Lord Privy Seal, the Chancellor of the Duchy of Lancaster, the Secretary of State for Defence, and the Minister of State, Privy Council Office.

RA

ROBERT ARMSTRONG

7 August 1986



COMPTON



10 DOWNING STREET

From the Private Secretary

4 August 1986

The Prime Minister has seen the Chancellor's minute of 22 July about the future of the Top Salaries Review Body. She has subsequently seen comments from the Secretary of State for Defence, Chancellor of the Duchy of Lancaster, the Lord Chancellor and Minister of State, Privy Council Office.

BF || The Prime Minister does not dissent from the Chancellor's general approach on the future of the TSRB. She has noted however that there have been a number of differing comments on candidates for membership of the TSRB and in view of this she would like to hold a meeting to review the options as soon as convenient. Before doing so she would be grateful if Sir Robert Armstrong could consult Lord Plowden on possible changes in membership.

I am sending a copy of this to Richard Stoate (Lord Chancellor's Office), Steven Wood (Lord Privy Seal's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), John Howe (Ministry of Defence), Paul Thomas (Office of the Minister for the Arts) and Michael Stark (Cabinet Office).

Tim Flesher

Alex Allan, Esq.,
HM Treasury.

lv

Ref. A086/2251

MR WICKS

Top Salaries Review Body

The Chancellor of the Exchequer sent the Prime Minister a minute on 22 July about the future of the Top Salaries Review Body (TSRB). There have been comments from the Secretary of State for Defence (29 July), the Chancellor of the Duchy of Lancaster (30 July) and the Lord Chancellor (31 July).

2. The Chancellor of the Exchequer has now dropped his recommendation for the abolition of the TSRB, and doubts whether there would be any advantage in changing their terms of reference. He concentrates on changes in the membership to reduce the average age, and to give us a body more likely to take account of wider economic and social factors and to question some of the assumptions of the comparability based approach towards which Review Bodies tend.

3. I think that this is the right approach. In setting the recommendation of these groups of public servants (senior civil servants, senior officers of the armed services and judges) there is no process of negotiation and no real possibility of creating one. Both the Government and the groups concerned need some sort of independent review machinery: the Government to provide it with some form of independent non-political review which makes it a little less difficult to take politically awkward decisions about pay at these levels, and the groups concerned to provide some assurance that the Government will not find it too easy to take, and will be obliged to take clear responsibility for, decisions which may be seen by those affected as in some sense unfair to them or politically motivated. All that being said, I



suspect that over the years the TSRB has cost the Government less than any of the alternatives discussed in the Treasury paper might have done - despite last year's increase.

4. As to membership, the current membership is:

Lord Plowden KCB KBE (Chairman)
Sir Harold Atcherley
Lord Chorley
Sir Robin Ibbs
Sir Peter Matthews AO
Andrew Morrit QC
Sir David Orr MC
Sir Thomas Skyrme KCVO CB CBE TD

The body is one light: when Mrs Alison Wright resigned she was not replaced. Sir David Orr has indicated that he wishes to resign. The appointments of Sir Harold Atcherley, Sir Robin Ibbs and Sir Thomas Skyrme expire this year. So there are potentially five vacancies.

5. Particularly if there is going to be a large change in the membership, I think that this is not a good moment to ask Lord Plowden to resign as Chairman. He has long and unique experience, and unrivalled understanding of the political environment in which the TSRB has to operate. I have no doubt whatever that his influence has led to lower recommendations than would otherwise have been made. He is 79 years old (80 in January), and has repeatedly made it clear that he will continue no longer than he is wanted, and go without resentment if he is asked to do so. But, as the Prime Minister knows, his intellect, his shrewdness and his wisdom remain unimpaired; he would certainly like to continue, and I hope that we shall be in no hurry to let him go. When he does go, Sir Robin Ibbs is available to take over; but he is in no hurry to do so.

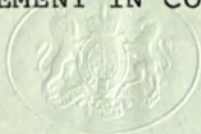


6. If the Prime Minister agrees that Lord Plowden should continue, I should like to consult him before giving advice about new appointments. I know that he would like to have a woman on the Review Body. Earlier in the year I discussed with Lord Plowden, and I agreed with the Departments concerned, an approach to Mrs Mary Moore, the Principal of St Hilda's College (the Prime Minister was prepared to consider her at an earlier stage). I did not proceed with that, because of the uncertainties about the future of the TSRB. If the Prime Minister is still content, I should be inclined to approach her first. If she says that she does not have time (as she did once before), I should like to try Miss Sheila Browne, Principal of Newnham College and formerly Chief Inspector of Schools. Mrs Sarah Hogg would (as the Lord Chancellor says) be admirable in personal terms; but I doubt whether it is easy for any of those concerned to have a practising journalist in the Review Body, and I am not sure that it looks right to have the Lord Chancellor's daughter-in-law recommending the pay of judges.

7. It is generally agreed that Sir Robin Ibbs should be reappointed. I share that view.

8. The Chancellor of the Exchequer recommends that Sir Thomas Skyrme should not be reappointed. The Lord Chancellor takes a different view. I suspect that Lord Plowden would like to keep Sir Thomas Skyrme. He has been an invaluable member of the Review Body, for the reasons which the Lord Chancellor gives. I hope that the Prime Minister will give me discretion to discuss this with Lord Plowden on the basis that, if he would like to renew Sir Thomas Skyrme, the Prime Minister will be prepared to do so.

9. That leaves us with the need to replace Sir Harold Atcherley (who it is generally agreed should not be reappointed) and Sir David Orr. In the interests of broadening the range of experience, and given that either Mrs Moore or Miss Browne would



come from the academic world, I should be inclined to go for Lord Bruce-Gardyne (favoured by the Lord Chancellor in preference to Lord Barnett) and either the Venerable Frank Harvey (Archdeacon of London) or Mr Christopher Everett (the Headmaster of Tonbridge School).

10. If the Prime Minister agrees, she may like to authorise:

- 1. you to write on the lines of the draft attached;
2. me to discuss changes in membership with Lord Plowden accordingly.

RA

ROBERT ARMSTRONG

1 August 1986

CONFIDENTIAL

DRAFT LETTER FROM N L WICKS TO MRS J R LOMAX,
PS TO CHANCELLOR OF THE EXCHEQUER

cc R C Stoate Esq, PS to Lord Chancellor
J F Howe Esq, PS to Secretary of State for
Defence
A D Lansley Esq, PS to Chancellor of the
Duchy of Lancaster
Steven Wood Esq, PS to Lord Privy Seal
C P Thomas Esq, PS to Minister of State,
Privy Council Office

The Prime Minister was grateful for the
Chancellor of the Exchequer's minute of 22 July
about the Top Salaries Review Body.

She agrees with the view of the Chancellor
of the Exchequer, which seems to be generally
accepted, that the TSRB should be retained,
without a change in terms of reference but with
changes in membership designed to produce a
body which reflects a broader cross-section of
society, and are more likely to take into
account wider social and economic factors.

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CONFIDENTIAL

PAYAAM

The Prime Minister thinks that, if there is to be a considerable change in membership, it would be sensible to retain Lord Plowden in the chairmanship, at any rate for the next reviews. Despite his age, he retains all his intellect and shrewdness, and he has unique experience and understanding of the interaction between the subjects which the Review Body has to consider and the wider political environment. She is in no doubt that he has exercised a moderating influence on the Review Body's conclusions and recommendations.

She agrees that the appointment of Sir Robin Ibbs should be renewed.

She notes that the Lord Chancellor thinks that Sir Thomas Skyrme should be reappointed. She proposes to consult Lord Plowden about this before coming to a decision, but is inclined to accept that his particular knowledge and experience would justify an extension.

The Review Body needs a replacement for Mrs Alison Wright, who resigned in 1985. The Prime Minister is attracted by Mrs Sarah Hogg,

but feels that it might be difficult to have the Lord Chancellor's daughter-in-law making recommendations on the pay of the judiciary (and thus on her father-in-law's). She is therefore inclined to favour either Mrs Mary Moore, the Principal of St Hilda's College, or Miss Sheila Browne, the Mistress of Newnham College. Subject to the agreement of Lord Plowden, the Prime Minister will arrange for them to be approached, in that order.

She agrees that Sir Harold Atcherley should not be reappointed; that means that replacements are needed for him and for Sir David Orr. In the interest of broadening the range, she favours the appointment of Lord Bruce-Gardyne and either the Venerable Frank Harvey or Mr Christopher Everett. Subject to the agreement of Lord Plowden, she will arrange for approaches to be made accordingly.

I am sending copies of this letter to Richard Stoate, John Howe, Andrew Lansley, Steven Wood and Paul Thomas.

CONFIDENTIAL



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CC APPTS

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

1 August 1986

FUTURE OF THE TOP SALARIES REVIEW BODY

file with TF.

Nigel Lawson copied to me his minute to you of 22 July. I have also seen George Younger's minute of 29 July and Norman Tebbit's of 30 July. There are some important issues at stake here and at this stage I want to make a few brief points only.

2. I agree that the TSRB needs a wider spread of backgrounds and I broadly support the changes in membership proposed by Nigel Lawson, especially the reappointment of Sir Robin Ibbs.

3. More specifically, I think it is important that the TSRB should contain at least one woman and for my part I think the inclusion of a carefully chosen journalist like Sarah Hogg could be helpful.

4. The only name I would add to Nigel's list is that of James McFarlane. He is a Civil Service Commissioner, but more importantly he has a distinguished engineering background (he is currently Director-General of the Engineering Employers' Federation) and has a very balanced and independent mind.

5. For the longer-term I am inclined to think we should have a fresh, sharp look at the TSRB's terms of reference, the timing of its reports and the case for shifting to a system whereby there would be a major review at the beginning of each Parliament followed by minor updating reviews thereafter. For the time being, however, I am content to go ahead with changing the membership and then to see how the new team handle their first review.

6. I am copying this minute to Nigel Lawson, Quintin Hailsham, John Biffen, Norman Tebbit and George Younger, and to Sir Robert Armstrong.

Paul Thomas

MP RICHARD LUCE

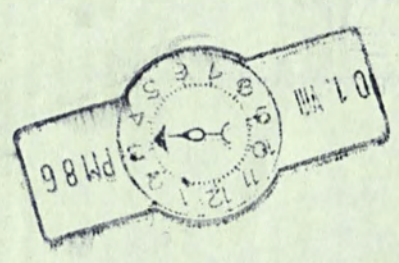
(Approved by the Minister and signed in his absence)

CONFIDENTIAL

CONFIDENTIAL



MINISTER OF STATE, PRY COUNCIL OFFICE



CONFIDENTIAL

PRIME MINISTER

TOP SALARIES REVIEW BODY

In his minute at Flag A the Chancellor addresses two points:

- (i) the structure and the remit of the TSRB; and
- (ii) its membership.

On (i) he concludes that, although he himself favours abolition, since there is very little support for this view we should continue with more or less the same approach.

On (ii) he proposes a number of changes. Sir David Orr wishes to resign, while the appointments of Sir Harold Atcherley, Sir Robin Ibbs and Sir Thomas Skyrme have expired. The Chancellor proposes to renew Sir Robin Ibbs' membership, but not those of the other two. The candidates he proposes are at the Annex to his note. His proposals are Sir John Kingman, Frank Harvey (the Archdeacon of London) and Lord Barnett.

Although there is no serious dissent from the Chancellor's views on the structure and remit of the TSRB, there are widely varying views on individual members.

The Chancellor of the Duchy (Flag C) suggests that there should be a new Chairman, and that the field should be greatly widened to include more industrialists and employers in small firms.

The Lord Chancellor (Flag D) dissents from the proposal that Sir Thomas Skyrme should be dropped; prefers Lord Bruce-Gardyne to Joel Barnett; and proposes Sarah Hogg.

The Lord Privy Seal also favours Sarah Hogg.

Mr. Luce (Flag E) favours Sarah Hogg as well; and adds the name of James McFarlane, the Director General of the Engineering Employers Federation, to the list.

The Secretary of State has also commented (Flag F).

Sir Robert Armstrong (Flag B) believes that a meeting will be necessary to resolve this, given the range of disagreement, and suggests one in September. (I should mention that the Treasury want to press on and make the appointments, but with the range of disagreements suggested I do not see how this is possible without a meeting). Sir Robert also proposed that Lord Plowden should be consulted. This must be right. If he is to remain as Chairman, he will have to work with whoever is chosen.

(i) Agree to adopt the approach suggested by Sir Robert Armstrong? *Yes*

(ii) Do you have any comments on individual candidates?

Not at present - except why the Archdeacon of London?

DF

Timothy Flesher

1 August 1986

CCBG
CCAPPTS

Prime Minister

FUTURE OF THE TOP SALARIES REVIEW BODY

Nigel Lawson sent me a copy of his minute to you of 22nd July. I am inclined to agree with the line that he takes.

So far as membership of the Review Body is concerned, my only dissent is in respect of the proposal that Sir Thomas Skyrme should be dropped. He is in quite a different position from Mr Morritt, and ought not to be treated in the same category. Skyrme was, until his retirement, a member of my office and a distinguished Civil Servant. Although he was legally qualified he was in no sense a distinguished lawyer, and ought not to be regarded as such. More to the point, he has acted as a very useful member of the Board because of his former experience as a member of my Department and of his wide knowledge of the work of the judiciary. Inevitably, Mr Morritt tends to look on the issue of judicial salaries from the point of view of the Bar, from whom the judiciary are mainly drawn. Skyrme can be more detached and objective, and I would not like to lose him without putting someone of comparable experience in his place. I have no one to suggest for this at the moment, and I therefore recommend that he be re-appointed.

Although I have nothing against Joel Barnett in personal terms, he is an Opposition Front Bench spokesman and I think that this would make him unsuitable for the Review Body. I would therefore prefer Jock Bruce-Gardyne.

The only other name that I need comment on is Mrs Sarah Hogg. She is a distinguished economic journalist and would, I am sure, make



- 2 -

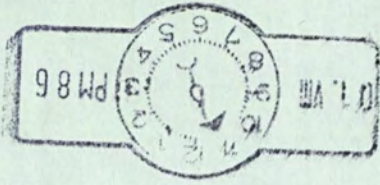
a useful contribution to the work of the Review Body, provided that the fact that she is my daughter-in-law is not seen as an objection.

I am copying this to Nigel Lawson, John Biffen, Norman Tebbit, George Younger and Richard Luce and to Sir Robert Armstrong.

H: of S: M.

31st July 1986

ECON POL: TSB: P. 8





Chancellor of the Duchy of Lancaster

PRIME MINISTER

FUTURE OF THE TOP SALARIES REVIEW BODY

I have seen a copy of Nigel Lawson's minute to you of 22 July. I have read the paper attached to Nigel's minute with interest.

I remain of the view, expressed in my minute to you of 8 January, that we should seek to re-orientate the method of working of the TSRB. The report by Officials provides helpful suggestions about this.

In particular, I think that we should adopt the suggestion (para 20) that the TSRB should report later so that its awards come at the end of the pay round - and after the civil service pay is settled. I also agree that we should aim for a substantial change in its membership.

In the wake of these changes and in advance of the TSRB report next year, I hope that we can agree revised terms of reference, with which the new members are content, and which would reflect our priorities. I would hope that, in addition to the points made in the draft at Annex E of the paper, the terms of reference would be able to restrict horizontal links to those justified by managerial needs (on which, of course, the Government evidence will comment) and will require the TSRB to have regard, for the Senior Civil Service awards, to the pay settlement agreed for the Civil Service as a whole, and to the need to justify the level of pay differentials on managerial grounds.

As regards the membership of the TSRB, I agree that Sir Harold Atcherley and Sir Thomas Skyrme's membership should not be renewed, but that Sir Robin Ibbs' should be.

I do not, however, see why we should continue to have an academic member nor can there be any conceivable reason to have journalists, churchmen, headmasters nor semi-retired politicians and trades union leaders. I should prefer that we add further industrialists and particularly employers in small firms.

I also question the desirability for us to retain Lord Plowden's services as Chairman. If we plan to make thorough-going changes to the TSRB's outlook, we should clear out from the top.

I am sending a copy of this minute to Quintin Hailsham, Nigel Lawson, John Biffen, George Younger, Richard Luce, and to Sir Robert Armstrong.

PP *Ash*
NORMAN TEBBIT

(Approved by the Chancellor of the Duchy and signed in his absence).

30 July 1986

cc B/LP
JAPATS

ECON POL: TBRB: PE 8.



COPIED FROM

SECRET



A B/f

MO 4/4V

PRIME MINISTERFUTURE OF THE TOP SALARIES REVIEW BODY

I have seen a copy of the Chancellor of the Exchequer's minute to you of 22nd July.

I agree with his conclusion that, failing abolition of the Body altogether (Option D) which does not seem to me politically viable at this stage, a modified Option A (changing the membership) is the best way forward. The average age of the present Body is high, and the range of background experience relatively narrow. Whilst I have no particular comments on the names that he puts forward, their selection would certainly widen the range of background experience and do something to bring down the overall age.

I would also emphasise the point made in paragraph 10c of the report by officials - that brigading the senior military officer with the higher civil service rather than with the AFPRB grades probably helps to keep the lid on senior service pay. Our experience over the last three years with the AFPRB very much supports this view.

CONFIDENTIAL



I am sending copies of this minute to the Chancellor of the Exchequer, the Lord Chancellor, the Lord Privy Seal, the Chancellor of the Duchy of Lancaster, the Minister of State, Privy Council Office and to Sir Robert Armstrong.

Q.Y.

Ministry of Defence

29th July 1986

CONFIDENTIAL

TSRB; ECON POL.

P78.



2
PRIME MINISTER

25 July 1986

DRW
25/7
TOP SALARIES REVIEW BODY

Whatever the composition of the TSRB, it is not realistic to expect it to ignore comparability. Affordability, recruitment and retention are all strictly issues for the Government, comparability is probably the only area where the TSRB can sensibly make an independent input. Paragraph 6 of the officials' note shows how successive attempts to persuade the TSRB away from comparability have founded on the rock of bitter experience.

So long as there is a TSRB, top people will be seen as special cases with their salaries moving at a different rate to that of other Government employees. We continue firmly to believe that the only way of avoiding the continuing embarrassment of the TSRB is to abolish it, as the Chancellor would like, along the lines of option D in the officials' paper.

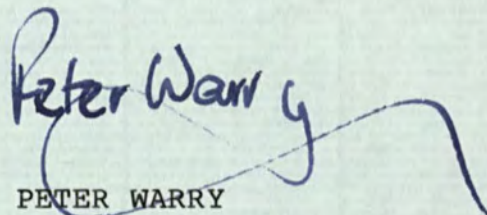
None of the objections to this approach seem well-founded. Officials frequently advise on policy issues from which they can gain: tax policy is perhaps the most obvious, but even advising on general civil service pay awards must ultimately influence TSRB rates. Despite these influences there is no evidence to show the advice has been flawed, indeed the opposite is more likely the case.

The TSRB is not widely respected. A system whereby all civil servants, junior and senior alike, got much the same award would appear much more above board than a cosy committee perceived by the public to be under the influence of the mandarins with a predilection for giving large pay rises to top civil servants.

CONFIDENTIAL

Relativities would be much less of a problem under a system where all people within a group got broadly the same level of rise. Relativities between Major Generals and Under Secretaries may, of course, widen. There is nothing wrong in this: they may be inter-changeable in some civilian jobs but this does not argue for identical pay. Moreover, however good an army officer is it will take him 10 years longer to reach the same grade as the equivalent official, (for example the best Brigadiers are rarely appointed before they are 45, whereas for Assistant Secretaries it is 35).

We strongly recommend abolition of the TSRB along the lines of option D; this is both the right approach to top peoples' pay and also the most politically sensible one.

A handwritten signature in blue ink that reads "Peter Warry". The signature is stylized with a large, sweeping flourish that extends to the right and loops back under the name.

PETER WARRY



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

PRIME MINISTER

Prime Minister ²

To be aware, and
await comments.

DRS
25/7.

FUTURE OF THE TOP SALARIES REVIEW BODY

I agreed in January to arrange for a study to be carried out of the options for reforming the TSRB. I attach a paper prepared by an interdepartmental group of officials under Treasury chairmanship.

My own views remain as set out in my minute of 28 October 1985 and I therefore support Option D in the officials' paper. But since this attracted no support from colleagues at the time, I would not intend to press the case further now.

abolish TSRB, link senior Civil Service to the rest of the Civil Service; harmonising terms with APPRB etc.

However, we cannot leave things as they are. As this year's report again demonstrated, the TSRB - like other Review Bodies - remain wedded to "comparability" as the basis for their recommendations. We must try and change this. I doubt whether changing their terms of reference would do any good: the TSRB would simply ignore them and go on reporting in their usual way. A better bet would be to alter the current balance of membership. All the present members come from business or higher professional backgrounds, are themselves well paid, and many of them have served for some time and are now on the elderly side. We need a membership that reflects a broader cross section of society with people from a wider spread of occupational backgrounds. Such a Board would be more likely to take into account wider economic and social factors in making recommendations and to question some of the assumptions of the present comparability based approach to which all Review Boards seem wedded.

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I understand that there is at present an opportunity to make some changes to the membership. Sir David Orr wishes to resign, due to pressure of other commitments, while the appointments of Sir Harold Atcherley, Sir Robin Ibbs and Sir Thomas Skyrme expired at the end of the last Review. We should take this opportunity to introduce some fresh blood.

I think that we should renew Sir Robin Ibbs' membership. He was only appointed 2½ years ago and it is important that we should have at least one senior industrialist on the TSRB. But I would not advise you to renew the membership of Sir Harold Atcherley or Sir Thomas Skyrme. Sir Harold has been a member since the TSRB was first established in 1971 and I think the time has now come to replace him. Sir Thomas has been a member for 5 years and with the appointment of Mr Morrill we now have two distinguished lawyers on the TSRB. I think this unbalances the Board and I would propose taking the opportunity of the expiry of Sir Thomas Skyrme's period of office to appoint someone from a different occupational background.

This would leave three vacancies on the TSRB. We could change the balance even further by appointing additional members but I think that eight people are enough for this body and would not suggest expanding it. I would propose filling the three vacancies with people from different backgrounds than the current members. We might consider academics, people previously active in politics, churchmen, ex-trades union leaders and journalists. In an Annex to this minute are a few possibilities worth considering. Colleagues will have other ideas of suitable candidates. It might, for example, be worth considering someone with a small business background.

The names in the Annex are the product of a winnowing process from a significantly longer list. My own preference would be to take one name each from the first and fourth categories and a final name from one of the two middle categories, which overlap in potential

CONFIDENTIAL



contribution. The important characteristic which candidates should have is that they should be their own man or woman. In that context I would opt for Sir John Kingman, the Vice-Chancellor of Bristol, who came to that job, as you know, from a distinguished career as a mathematician and from being head of a Research Council, and very definitely for the Venerable Frank Harvey, Archdeacon of London, who is a very business-like and down to earth churchman. Of the two middle categories I would choose Lord Barnett for his personal qualities. Finally, there is no woman on the TSRB: you will have your own view of Miss Sheila Browne: I mention her in case we felt a need for a woman (in which case she would supersede Sir John): whatever view is taken of her, she is very much her own woman.

I am not particularly wedded to any of these names. The key is to appoint some new people with a wider spread of occupational backgrounds and experiences who would, I hope, consider the pay of the TSRB groups within a wider range of social and economic factors than the present members seem to do.

John Biffen has just asked the TSRB to conduct a review of the MP's secretarial allowance and certain Peers' secretarial allowances. We should therefore make any changes in membership that are decided upon fairly quickly before the existing body gets too deeply involved in this review.

I am copying this minute to Quintin Hailsham, John Biffen, Norman Tebbit, George Younger and Richard Luce and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'N.L.' with a flourish.

N.L

22 July 1986



ANNEX

ACADEMICS

✓ Miss Sheila Browne, Principal, Newnham College, Cambridge

Professor Sir John Kingman, Vice-Chancellor, Bristol

✓ Professor Patrick Minford, Liverpool University

RETIRED TRADE UNION LEADERS

Mr Tom Jackson

← ✓ Mr Jack Peel

SEMI-RETIRED POLITICIANS

Lord Barnett →

Lord Bruce-Gardyne →

B.B.C.

OTHERS

Mr Christopher Everett, Headmaster, Tonbridge School

The Venerable Frank Harvey, Archdeacon of London

Mrs Sarah Hogg, Journalist

FUTURE OF THE TSRB

Introduction

1. Following correspondence in January Ministers asked officials to work up ideas for reforming the way the TSRB operates. A working group under Treasury chairmanship and including representatives from the Ministry of Defence, Department of Employment, Lord Chancellors Department, Management and Personnel Office and Cabinet Office was set up to undertake this task. This report sets out the group's conclusions.

Background

2. The TSRB was established in 1971 at the same time as the Review Bodies on doctors and dentists, and armed forces pay. It was given a remit to advise the Prime Minister on the remuneration of chairmen and boards of nationalised industries, judiciary, senior civil servants, senior armed forces officers and other groups which may be referred to it. Its establishment rationalised previous practices, which had included a standing committee to provide independent advice to the Government about higher civil service pay and largely piecemeal arrangements for maintaining horizontal relativities between the four groups. A note about the pre-1971 set-up is at Annex A.

3. The TSRB's terms of reference and current membership are set out at Annex B. Appointments in nationalised industries were removed from its remit in 1980. Under the "other groups" heading the TSRB has produced several reports on MPs and Ministers pay and allowances and has also advised on the pay of the Comptroller and Auditor General.

4. It was stated in Parliament when the Review Bodies were established that they would be independent, their recommendations would not be subject to reference to any other body, and that those recommendations would not be modified or rejected by the

Government unless there were, "clear and compelling" reasons for doing so. In fact the TSRB's recommendations have been staged or set aside more frequently than they have been accepted but, with implementation of the second stage of the 1985 recommendations from 1 March 1986, the rates in payment will be in line with those recommended by the TSRB.

TSRB Recommendations

5. Annex C sets out the TSRB's recommendations in recent years together with the actual increases paid and compares them with settlements and average earnings growth elsewhere in the economy. Annex D sets out the TSRB's recommendations for a selected number of occupations relative to both average earnings and pay levels in other high paid occupations since the TSRB's establishment in 1971. It also provides comparisons for the relativities between representative civil service and armed forces grades. The main conclusions that can be drawn from this information are as follows:

a. Since 1971 the pay of TSRB client groups has fallen relative to both average earnings and pay levels prevailing in other high paid occupations. [This is also the case for the rest of the civil service and, to a very considerably lesser degree, for some of the armed forces covered by the AFPRB.]

b. The decline compared with average earnings took place between 1971 and 1979. These were mostly years of incomes policies, some with flatrate pay norms, when there was a general narrowing of differentials. However, there was also a decline compared with pay in other high paid occupations, reflecting the stricter adherence to pay policies in the public services than in the rest of the economy.

c. Over the period 1979 to 1985 most of the TSRB client groups have at least marked time against average earnings and some have improved their relative position, although remaining a long way behind their relative

1971 levels. [The pay of the rest of the civil service, after some initial recovery, has continued to decline in relative terms. There was a big catching-up exercise for the AFPRB groups in 1979 and since then they have broadly maintained their relative position.]

d. Such "catching-up" as took place between 1979 and 1985 has not been a smooth process. Relative pay declined to an all time low in 1981 reflecting the Government's decision in 1980 not to implement previous TSRB recommendations and the TSRB's resultant decision to make no new recommendations in 1981. High recommendations in 1982 followed. The 1985 recommendations were also exceptionally high. Actual pay increases have been even more variable. Abatement of the 1979, 1980 and 1981 recommendations meant that, to make up lost ground increases were implemented in 1982 and 1983 that were well above average earnings growth.

e. Compared with people in other highly paid occupations the TSRB groups have either marked time since 1979 or lost further ground.

Previous reviews of TSRB

6. Since 1980, there have been four previous reviews of the operation of Review Bodies (including the TSRB):

a. 1980. Ministers decided against changing the terms of reference or suspension but the Prime Minister saw the Review Body chairmen and urged them to take full account of the economic and financial situation when framing their recommendations.

b. 1981. Ministers decided against any radical changes but agreed to consider ways of giving greater emphasis to recruitment and retention in determining armed forces pay.

c. 1982. It was decided that Government evidence to the AFPRB should in future concentrate more on affordability and market forces. But the option of announcing such a change in emphasis was rejected. [Also in 1982 the Government decided to establish the Nurses Pay Review Body.]

d. 1983. Ministers decided against changing the terms of reference but agreed that future Government evidence should place less weight on comparability and more weight on affordability and market factors.

7. Overlying all these reviews was the issue of whether the Government wished to take back all or part of the responsibility for fixing the pay of the client groups or whether it preferred to retain an independent buffer mechanism. This is still the basic issue and most of the options for change discussed below involve the Government taking on more of the responsibility for setting pay than it has at the moment. A general point to be borne in mind is that the TSRB is only one of four Review Bodies. Any changes to the TSRB could have implications for the others.

Options for Change

8. Officials have been asked to work up ideas for reform that were set out in Mr Tebbit's minute of 8 January. They would involve:

- a. abandoning horizontal links between the three client groups (except where justified by a valid comparison of work) and looking separately at each group;
- b. rejecting comparability;
- c. establishing market related and practical tests of the ability to retain necessary staff;
- d. establishing simple vertical relativities.

9. We have identified four possible approaches:
- a. Retain the TSRB but change its membership and terms of reference.
 - b. Retain the TSRB but ask it to do a different job.
 - c. Abolish the TSRB and put nothing in its place.
 - d. Abolish the TSRB and set up alternative, and separate machinery for determining the pay of the groups concerned.

A. RETAIN TSRB

10. The arguments for determining the pay of these groups together following advice from the TSRB are as follows:

a. Ministers can, to some degree, distance themselves from the process. The alternatives of negotiation or Ministerial determination would inevitably mean that some of the people advising Ministers would be influencing their own pay. (It is notable that pay at the top levels in many private sector organisations is determined in a way that allows senior people to distance themselves from the process. Salaries of executive directors and senior executives are often determined by committees of non-executive directors or after recommendations by outside consultants.)

b. The involvement of an independent body allows the public to be confident that pay for people in influential positions is determined in an "above board" manner and that the clients can be confident of fair treatment.

c. The existing arrangements with their horizontal links are probably cheaper than any alternative. If the salaries of judges, who are the largest group covered

by the TSRB, were determined separately they could be influenced very significantly by the substantial earnings of senior barristers. These affect recruitment. The present arrangements allow the additional factors of public standing, the crowning of a lawyer's career, shorter working hours, and a uniquely favourable pension scheme to be taken into account in the wider context of public sector employment. Linking the pay of senior military officers to the higher civil service rather than brigading them with the rest of the armed forces in the AFPRB probably keeps the lid on pay for the senior military. And, because the AFPRB takes account of vertical differentials between the TSRB grades and the rest of the military in framing its recommendation this constraining effect on senior officers pay probably constrains the pay of the rest of the forces as well. Furthermore there are good managerial reasons for some of the existing horizontal links. For example Under Secretaries and Major Generals often fill MOD posts interchangeably and paying them at different rates would lead to management problems.

11. These alleged advantages are debatable. In practice Ministers have not been able to distance themselves from the pay of these groups as the public reaction to the 1985 Report showed. It is also impossible to prove the cheapness of the present TSRB one way or the other: it all depends on what would take its place and it could be argued that the horizontal links pull some groups up rather than hold others down.

12. However, to the extent that Ministers accept that there are advantages in keeping the TSRB in something like its present form, are there any changes to its operation or membership that might produce some of the changes that Ministers are seeking?

Change Membership

13. One possibility is to change its membership. The current membership is set out at Annex B. Most have served for some time

and one (Sir Harold Atcherley) has been a member since 1971. Its current members all come from the higher reaches of business or the professions and are themselves well paid. The average age is 63. Lord Plowden is 79. Bringing in some younger members from a wider spread of occupational backgrounds might lead to a fresh appraisal by the TSRB of its traditional approach to its job, perhaps with rather less emphasis on comparability.

More Openness

14. Another possibility is to make the work of the TSRB more open, so as to increase public confidence in it and make the members more aware of the realities of the outside world. This could mean public hearings, taking a wider selection of evidence and publication of more background material.

15. This openness might be extended to the consideration of TSRB reports with publication of the reports as soon as they were received by the Government rather than after decisions have been reached on the recommendations. This would allow the Government to gauge public and Parliamentary reaction to the recommendations before reaching decisions. Adopting this course would raise the following questions:

i. Is it fair? All the public pressure would be to reduce the recommendations, regardless of the merits.

ii. Would immediate publication of the TSRB report mean the same for other Review Body reports where all the pressure would be for immediate implementation?

iii. Would it discourage people from entering these jobs; knowing that their pay would be set after a highly politicised public debate?

Amend Terms of Reference

16. The existing terms of reference give no guidance as to how the TSRB should do its work. The Government puts forward annual

evidence about the factors it believes the Review Body should take into account.

17. In recent years a great deal of effort has been put into the preparation of this evidence to ensure that Review Bodies know about the Government's views. The evidence has repeatedly stressed the importance of recruitment and retention and affordability, and has argued that - by itself - comparability has little relevance. In its reports the TSRB has repeatedly said that, while it does not believe in mechanical comparability, it must take into account salary levels in other broadly similar occupations. It has often commissioned studies by consultants into rewards in other high paid occupations but has not adopted any automatic links with outside salaries in framing recommendations.

18. It would be possible for the Government to amend the TSRB's terms of reference, and require it formally to frame its recommendations in the light of economic, recruitment and retention factors rather than comparability. Remuneration in other occupations is, of course, a factor which will affect recruitment and retention and to this extent "comparability" will be a relevant issue. However, it should not have an independent influence. Possible draft terms of reference are attached at Annex E.

19. If this approach was to be adopted four questions would arise as to its effectiveness.

i. Would the TSRB behave any differently? This would probably depend upon how specific the terms of reference were. Much would also depend upon how much the TSRB then made comparisons with outside remuneration when examining the recruitment and retention position. Those at Annex E are fairly detailed and may have the desired effect but it is impossible to be certain. Detailed terms of reference may make it difficult to find high quality people willing to serve on the TSRB.

ii. Could the Government still reject or phase the TSRB's recommendations? It has been possible to do so in the past by citing reasons of over-riding national policy. Doing so once the items to be taken into account in framing the recommendations had been specified in the formal terms of reference would involve a direct criticism of the TSRB's judgement.

iii. Would changing the TSRB's terms of reference also mean changing those of the other Review Bodies? As affordability is much more important for the other Review Bodies than the TSRB it would seem odd to change just the TSRB terms of reference to reflect affordability. There is also a case for looking again at the AFPRB's terms of reference in the light of the emphasis that it gives to comparability if the TSRB terms of reference are altered. Such a change would lead to unease within the Armed Forces, which has faith in the AFPRB and the Government's handling of it.

iv. Would changing the terms of reference lead to a loss of confidence in the TSRB's independence? The TSRB's clients would certainly be concerned, but public confidence in the system might increase.

Change Timing

20. The TSRB normally reports to the Prime Minister in April. Moving the settlement date to the end of the pay round ie July/August may reduce the difficulty of dealing with its recommendations. By then the civil service and armed forces awards will be known and the Review Body could take them into account in making recommendations for senior people. (This would also help it establish simple vertical relativities with the rest). Publication of the TSRB awards might then also have a less damaging effect on other pay settlements.

B. ASK TSRB TO DO A DIFFERENT JOB

21. A more direct way of achieving Ministers objectives would be to give the TSRB a different job to do or dispense with it temporarily. This would give the Government more control over the pay determination process. The changes discussed above could be combined with any of the approaches discussed here for altering its job.

Report on Request

22. It would be possible to withdraw the TSRB's standing remit to advise about the pay of its three client groups, which it has interpreted as requiring annual reviews, and have them report on request. This might be used to break the habit of annual pay rises. Alternatively the Government could impose its own pay awards in those years it did not seek advice from the TSRB.

23. Irregular reviews could mean occasional embarrassingly large increases if they mean the client groups "fall behind" between reviews. This effect might be mitigated if the terms of reference were also altered as at Annex E. There may also be difficulty in getting high quality people to serve on the TSRB on this basis.

Suspension

24. The TSRB could be put "on ice" for a year or two, perhaps as a prelude to giving it new terms of reference and revising the membership. The argument would be that the TSRB had set the "right" pay levels for its clients in 1985, which the Government had accepted, and had uprated in 1986. A fundamental review of the pay of the clients would not be necessary for some years and the Government would be giving consideration to the arrangements for this. In the meantime all that would be necessary would be care and maintenance of the existing pay levels and the Government would deal with this itself for the interim period.

25. The major issue would be the arrangements in the interim period, to maintain adequate staffing in the client groups. There

are a number of possibilities but as they would only be intended to tide the groups over until the next TSRB review (on whatever basis) the simplest course would be to freeze the existing relativities within and between the client groups and apply a uniform percentage increase to all of them. This could either be set in relation to prevailing inflation or, in order to preserve existing vertical relativities in the civil service, be linked to increases in the pay of civil service Grade 5s.

26. Freezing vertical relativities would eventually lead to strains in the pay structures of the groups concerned and the emergence of recruitment and retention difficulties. In particular the MOD would be concerned if this process together with AFPRB increases for Brigadiers led to an appreciable narrowing of the differential at the Brigadier/Major-General point. However, these would take some time to come through and the process should be sustainable for a year or two without serious difficulties.

Ranges

27. The TSRB could be asked to advise on a range of pay rather than a rate of pay for its clients. The 1985 TSRB report included a recommendation for a 3 point scale for Grade 3 (Under Secretary) and a 2 point scale for Grade 2 (Deputy Secretary) with automatic progression based on period of service in the grade. It also recommended the introduction of discretionary pay for Grades 2 and 3. This recommendation has now been accepted by the Government and methods of implementing it are under consideration.

28. It might be possible to build upon these developments, at least for the civil service. The TSRB could recommend pay ranges appropriate to each grade but leave it to management to assign individuals to particular pay rates. These would depend upon performance.

29. There would remain the question of the pay of the remainder where discretionary pay based upon formal assessment of performance has not been suggested by the TSRB and would not seem appropriate. The Government could not escape the responsibility for deciding upon their pay rates within the range. This would inevitably involve extra controversy.

30. It is also not clear that such a system would produce lower pay rates than the present one. The 1985 TSRB report published ranges of pay received in "comparable" outside occupations based on research by consultants. However, the TSRB stated in its report that it did not accept that these ranges necessarily the pay that the TSRB groups should receive and applied a "public service discount" to them before addressing the issue of pay rates. If the TSRB was asked to advise about pay ranges rather than rates it might recommend a range based on a survey of outside pay rates without any downward adjustment. The pressure would be on the Government to agree to at least the median and this would mean higher rates than are currently in payment.

Pay Movements

31. The TSRB might be asked to recommend pay increases rather than pay rates. Furthermore, the size of its recommendations could be constrained in advance. The Government's long term pay proposals to the Civil Service unions might serve as a model ie average increase constrained by the interquartile range of outside pay movements but individual increases could vary for different groups. Also on the model of the Civil Service proposals, there could be provision for level surveys at the specific request of the Government but with the implementation of any "catching-up" award deemed to be justified constrained by the other parameters of the agreement. In practice this would mean longer staging of any "catching-up" increases that might be agreed. This would keep some control over the size of annual awards while preserving some scope for adjusting relativities within the groups covered by the TSRB.

32. The difficulties would be getting the TSRB to operate such an arrangement and the client groups to accept it. The TSRB may object to the constraints on their freedom, and the clients may lose confidence in the TSRB's independence. All but two of the main Civil Service unions rejected proposals along these lines for the lower grades.

Division of a Specific Amount of Money

33. The TSRB would be told in advance how much money the Government had set aside for pay increases for the TSRB group and be asked to allocate it between the client groups. In effect, the Government would decide in advance how much it could afford to pay and leave the TSRB to deal with relativities, perhaps on the basis of revised terms of reference.

34. The problems of this approach would be difficulty in getting high quality people to sit on the TSRB, loss of confidence by the client groups, and loss of the advantage claimed for the TSRB of distancing the Government from determining the pay of those groups. It would also look like a new pay assumption.

C. ABOLITION: GOVERNMENT FIAT

35. If none of the options for changing the TSRB's working methods commend themselves to Ministers the choice is between abolition and doing nothing. Indeed it could be argued that the options identified under Approach B above involve such restrictions on the TSRB's independence that it would be better for the Government to abolish it and take on the responsibility itself. If the TSRB is abolished some alternative way of determining the pay of its clients would have to be found. The choice is between doing this by Government fiat or setting up alternative machinery.

36. Setting pay by fiat would allow the Government complete flexibility in dealing with these groups. It need not preclude the possibility of independent advice. Bodies could be set ad hoc as needed or some lower level advisory body, without the status or authority of a Review Body, could be established.

37. Since the chairmen and board members of nationalised industries were removed from the TSRB's terms of reference in 1981 their pay has been set by Ministers, without independent advice. This system has enabled Ministers to introduce more flexibility and to tailor salaries more precisely to individual

circumstances. For example last year average increases of 8.8 per cent encompassed individual increases ranging from 0 per cent to 26 per cent. The range reflects the market test that exists for this group as people are constantly recruited from private industry to fill posts. The Nationalised Industry Chairmans Group has recently made representations to the Government that pay levels are well below market rates and have called for a review by independent consultants. The Government has refused this and told the NICG that pay will continue to be determined in a flexible manner, reflecting recruitment and retention in the individual industries.

38. The main problem of setting pay by fiat for the other groups is that they are unlikely to have much confidence in the arrangements. They may cite the NICG's present concerns as an indication of what would happen. There would be pressure for collective bargaining, which would be inappropriate for these groups and probably expensive, especially for the judiciary. Such an approach would also mean that the Government could not distance itself at all from the pay determination process for these groups. This would be a particularly difficult solution for the judiciary, in view of their constitutional independence from the executive.

39. Finally, there would be the question of what to do about MPs and Ministers. MPs pay is fixed by Resolution of the House until 31 December 1987 and thereafter is set to be linked to 89 per cent of the maximum point of Grade 6 staff on national rates. A few issues concerning Parliamentary allowances will require resolution from time to time but these issues could be referred to independent consultants for advice, ad hoc, as they arise.

40. Ministers pay is set until 31 December 1987 but will need to be reviewed before then. The assumption has been that the matter would be referred to the TSRB. It is inconceivable that Ministers would wish to set their own pay without the benefit of independent advice and so some alternative to the TSRB would have to be found. One possibility would be to ask whatever independent panel was established to review the matter to recommend

some automatic external links for determining Ministers pay in the same way as will operate for MPs from 1988.

D. ABOLITION: ALTERNATIVE MACHINERY

41. Abolition of the TSRB and replacement with alternative machinery is the fourth approach. It could include the provision of independent advice to the Government about at least some of the groups but with each group considered in relation to the wider pay groups which they were part of and not in relation to each other. Existing and arguably obsolete or unjustified "horizontal" links between the client groups could be abandoned and simple "vertical" relativities established with the appropriate people in wider pay groups.

One possible model would be as follows:

a. Senior Civil Service. Their pay could be more closely related to the rest of the Civil Service. Pay rates for the grades currently covered by the TSRB could be established after the general settlement for the non-industrial Civil Service had been concluded. The senior grades could either receive the average award or the same as the top of Grade 5 (Assistant Secretary) by automatic formula. The Government could exercise discretion instead but without independent advice the confidence of the groups concerned and of the public in the arrangements would be jeopardised. There could be pressure for collective bargaining. It would also involve senior civil servants advising on their own pay.

b. Senior Armed Forces. The remit of the AFPRB could be revised to include them. At the same time the AFPRB's terms of reference might be revised formally to discourage emphasis on comparability and to increase that on economic and market factors. There was correspondence about this issue last year between the Chancellor and the then Secretary of State for Defence.

Decoupling pay arrangements for senior officers and the senior Civil Service would probably mean that the pay of Under Secretaries and Major-Generals (and their equivalents), which has been linked in the past, would differ in future. The likelihood is that, unless its terms of reference are significantly changed, the AFPRB would recommend higher rates for senior officers than would the TSRB. Furthermore there is some evidence that the rates established for Major-Generals/Under Secretaries by the TSRB exert some downward pressure on the AFPRB's recommendations for Brigadiers. So abolishing the TSRB and putting senior officers in with the AFPRB could result in upward pressure on Armed Forces pay generally, where a 1 per cent increase costs around £35 million.

c. Judiciary. The special constitutional position of the judiciary requires the Lord Chancellor to have advice on salary levels which is wholly independent of both the executive and of the judiciary themselves. Determination by the Lord Chancellor or collective bargaining would inevitably generate more public controversy than was ever generated by the TSRB. An independent advisory body on judicial pay would be needed. There would be problems over its membership. The judiciary would expect to be strongly represented on a new Review Body, thus jeopardising its independence. However, without such representation the judiciary may not have confidence in it. Moreover in the absence of any benchmarks to guide the Review Body, such as the horizontal relativities established by the TSRB, the general pay levels in the profession may dominate the recommendations and lead to much higher levels of judicial remuneration than obtain at present.

d. MPs/Ministers. Provided the existing Resolution of the House of Commons is not overturned there should be no problem as far as MPs pay is concerned. MPs and Lords allowance matters could be referred to

independent consultants as necessary. Some mechanism for obtaining alternative advice about the pay of Ministers after 1987 would be necessary at some stage. One possibility would be to refer this issue to the TSRB as its final task before abolition.

Issues for Ministers

42. The key issues are:

i. Do Ministers accept the arguments for continuing to obtain independent advice on pay for the TSRB client groups together [paragraph 10]?

ii. If so, could changes to its membership (paragraph 13), greater openness in the conduct of its business (paragraphs 14-15), amended terms of reference (paragraphs 16-19), or altering the timing of its reports (paragraph 20), bring about desirable changes in the way it operates?

iii. If not, should the TSRB be asked to do a different job? Are any of the options of reports on request (paragraphs 22-23), suspension (paragraphs 24-26), range pay (paragraphs 27-30), recommending pay movements (paragraphs 31-32) or division of a specific amount of money (paragraphs 33-34) worth considering?

iv. If Ministers do not accept the case for keeping the TSRB what arrangements should replace it? Should pay be set by Ministerial fiat without regular arrangements for obtaining advice (paragraphs 35-40)?

v. Or should alternative machinery, involving the provision of independent advice, but providing for separate determination of each groups pay - perhaps along the lines of paragraph 41 - be established?

Pre-TSRB Arrangements(a) Higher Civil Service

The first comprehensive study and recommendations concerning higher civil service pay was made by the Asquith Committee in 1920. Salaries were adjusted after reviews by the Tomlin Commission (1939), Chorley Committee (1949) and the Priestley Committee (1955). The Priestley Committee also recommended that a Standing Advisory Committee should be appointed to exercise a general oversight of the remuneration of the higher civil service. It was established in February 1957 and submitted 10 reports, the last in 1969. It made its own inquiries and carried out its own surveys of outside pay levels, independently of the Pay Research Unit.

(b) Senior Armed Forces Officers

In the period 1966 to 1970 determined on the basis of advice from the National Board for Prices and Incomes as part of its standing reference to consider armed forces pay. 1958-60 biennial reviews conducted within Government, often following reports by the Standing Advisory Committee on Higher Civil Service Pay. Principle was broad comparability with higher civil service pay. Before 1958 ad hoc Ministerial consideration.

(c) Judiciary

Ad hoc upratings by Government. No formal guidelines but increases were more or less in conjunction with salary movements in the higher civil service in the postwar period. 1851-1954: salaries were constant.

(d) Chairmen and Boards of Nationalised Industries

Ministerial determination. Reference to National Board for Prices and Incomes in 1969.

Overall Conclusion

Interdependence between the salaries of these groups was a postwar phenomenon. Horizontal relativities in the postwar period arose from expediency and convenience rather than logical design.

Reference

Appendix G. TSRB Report No 6 (1974).

REVIEW BODY ON TOP SALARIES

The Review Body on Top Salaries was appointed in May 1971 with terms of reference to advise the Prime Minister on the remuneration of the Chairmen and members of the Boards of nationalised industries; the higher judiciary and certain other judicial appointments; senior civil servants; senior officers of the armed forces; and other groups which may be referred to it. The appointments in the nationalised industries were removed from the Review Body's remit in August 1980.

The members of the Review Body are:

Lord Plowden, KCB, KBE. *Chairman*

Sir Harold Atcherley

Lord Chorley

Sir Robin Ibbs

Sir Peter Matthews, AO¹

Andrew Morritt, QC

Sir David Orr, MC

Sir Thomas Skyrme, KCVO, CB, CBE, TD

The Secretariat is provided by the Office of Manpower Economics.

¹Also Chairman of the Review Body on Armed Forces Pay.

FSRB AWARDS 1975-86 (per cent)

Group	Senior Civil Service	Armed Forces	Judiciary	Whole Economy	
				Average (1) Settlements	Increase (2) in average earnings
<u>1979</u>					
Award	11.3	11.3	10.3		
Carryover	10.7	10.7	11.4		
Increase due	23.2	23.2	22.9	13½	16
Actual increase	13.5	13.5	12.5		
<u>1980</u>					
Award	27.2	27.2	24.3		
Carryover	8.6	8.6	9.2		
Increase due	38.1	38.1	35.0	17	21½
Actual increase	12.3	12.3	12.1		
<u>1981</u>					
Award	(3)	(3)	(3)		
Carryover	23.0	23.0	20.4		
Increase due	23.0	23.0	20.4	8½	10½
Actual increase	7.0	7.0	7.0		
<u>1982</u>					
Award	19.4	19.4	24.3		
Carryover	(3)	(3)	(3)		
Increase due	19.4	19.4	24.3	7	9
Actual increase	14.3	14.3	18.6		
<u>1983</u>					
Award	6.8	6.8	6.9		
Carryover	4.6	4.6	4.8		
Increase due	11.7	11.7	12.0	5½	7
Actual Increase (1st Year)	5.8	5.8	5.9		
(Full Year)	11.7	11.7	12.0		
<u>1984</u>					
Award	6.5	6.5	6.5		
Actual increase (1st Year)	4.46	4.46	4.46	5½	7½
(Full Year)	6.5	6.5	6.5		
<u>1985</u>					
Award	12.2	17.6	16.3		
Actual Increase (1st Year)	5.1	7.3	7.1	5½	7½
(Full Year)	12.2	17.6	16.3		
<u>1986</u>					
Award	6.5	6.4	6.7		
Actual Increase (1st Year)	2.9	2.9	3.1	6 (4)	7½ (4)
(Full Year)	3.9	3.8	4.1		

(1) Pay rounds ending July 1979 to ending July 1985

(2) Year to Q3

(3) Because rates recommended for 1980 were not implemented in full, no new recommendations were made for 1981

(4) Estimates

TOP SALARIES REVIEW BODY

RECOMMENDED SALARY LEVELS, WITH RATIOS TO AVERAGE EARNINGS AND THE 95th PERCENTILE POINT

YEAR ¹	HIGH COURT JUDGE			CIRCUIT JUDGE		
	Salary (£)	Ratio x 100		Salary (£)	Ratio x 100	
Average Earnings ¹		95th Percentile ²	Average Earnings ¹		95th Percentile ²	
1971 ⁵	14000	818	361	8300	485	214
1972	15750	825	365	9750	510	226
1973	16000	734	332	10000	459	207
1974	16350	659	308	10350	417	195
1975	21000	664	328	13000	411	203
1976 ⁶	-	-	-	-	-	-
1977 ⁶	-	-	-	-	-	-
1978	26000	561	279	17500	377	188
1979	28500	540	275	19500	370	188
1980	35000	541	260	24000	371	178
1981	35000	479	227	24000	329	155
1982	45000	560	263	29000	361	170
1983	48000	551	259	31000	356	167
1984	51250	551	255	33000	355	164
1985	60000	600	279	40000	400	186
1986	63500	n/a	n/a	42500	n/a	n/a

YEAR ¹	MAJOR GENERAL			UNDER SECRETARY ⁴		
	Salary (£)	Ratio x 100		Salary (£)	Ratio x 100	
Average Earnings ¹		95th Percentile ²	Average Earnings ¹		95th Percentile ²	
1971 ⁵	7245	423	187	6750	395	174
1972	8750	458	203	8250	432	191
1973	9000	413	187	8500	390	176
1974	9350	377	176	9000	363	169
1975	12000	380	188	12000	380	188
1976 ⁶	-	-	-	-	-	-
1977 ⁶	-	-	-	-	-	-
1978	16000	345	172	16000	345	172
1979	18000	341	174	18000	341	174
1980	23500	363	175	23500	363	175
1981	23500	322	152	23500	322	152
1982	26000	324	152	26000	324	152
1983	27750	319	150	27750	319	150
1984	29500	317	147	29500	317	147
1985	34000	340	158	31-34000 ⁸	310-340	144-158
1986	36250	n/a	n/a	33250-36250 ⁸	n/a	n/a

Footnotes

- 1 NES Average gross weekly earnings, all males, pay unaffected by absence.
- 2 NES data for non manual males only.
- 3 Recommendations in 1972, 1974 and 1975 applied from 1 January to all except High Court Judges, whose review date was 1 July between 1971 and 1975. Recommendations have been attributed to April of the year in which they applied for the ratio comparison in every case.
- 4 Major Generals' and Under Secretaries' pay has been linked since 1975.
- 5 Pre-TSRB salary levels as at April 1971.
- 6 No TSRB reports during 1976 and 1977 owing to operation of Government pay policy.
- 7 By 1981 increases of about 12 per cent overall would have been needed to bring TSRB salaries up to the level recommended for 1980. TSRB concluded that no useful purpose would be served by recommending new salary levels and it instead urged the Government to implement the 1980 recommendations in full as soon as possible.
- 8 Normally attainable maximum (excluding discretionary pay points).

SALARY LEVELS FOR SELECTED CIVIL SERVICE AND ARMED FORCES GRADES AND RANKS AND RATIO WITH AVERAGE EARNINGS

YEAR	CLERICAL OFFICER (max)		EXECUTIVE OFFICER (max)		HIGHER EXECUTIVE OFFICER (max)	
	Salary (£)	Ratio to Average Earnings	Salary (£)	Ratio to Average Earnings	Salary (£)	Ratio to Average Earnings
1971	1385	81	2000	117	2625	153
1972	1489	78	2150	113	2809	147
1973	1760	81	2600	119	3350	154
1974	1883	76	2782	112	3585	145
1975	2409	76	3670	116	4700	149
1976	2722	73	3983	107	5013	134
1977	2858	70	4182	102	5263	129
1978	3280	71	4579	99	5718	123
1979	4000	76	5272	100	6519	124
1980	4740	73	6745	104	7250	112
1981	5102	70	7247	99	9184	126
1982	5421	67	7700	96	9758	121
1983	5708	66	8088	94	10218	118
1984	5993	64	8492	91	10729	115
1985	6293	63	8917	89	11263	113
1986	6671	n/a	9452	n/a	11941	n/a

YEAR	WARRANT OFFICER II (Band 7)		CAPTAIN (max)		MAJOR (max)	
	Salary (£)	Ratio to Average Earnings	Salary (£)	Ratio to Average Earnings	Salary (£)	Ratio to Average Earnings
1971 ¹	2258	132	2734	160	3555	208
1972	2501	131	3000	157	3949	207
1973	2675	123	3489	160	4168	191
1974	3106	125	3895	157	4683	189
1975	4135	131	4778	151	6098	193
1976 ²	4447	119	5090	136	6410	172
1977 ²	4655	114	5298	130	6618	162
1978	5355	116	5917	128	7457	161
1979	7481	142	7799	149	10054	191
1980	8734	135	9163	141	11994	185
1981	9855	135	10424	143	13494	185
1982	10530	131	11129	139	14498	180
1983	11467	133	12144	141	15830	183
1984	12293	132	13169	142	17115	184
1985	13202	132	14188	142	18509	188
1986	14257	n/a	15279	n/a	20049	n/a

Footnotes

- Salaries as from 1 August 1971.
- 1976 and 1977 recommendations were in line with Government pay policies.
- NES Average gross weekly earnings, all males, pay unaffected by absence.

DRAFT REVISION FOR TSRB TERMS OF REFERENCE

The Review Body on Top Salaries has been appointed to advise the Prime Minister on the remuneration of the higher judiciary and certain other judicial appointments; senior civil servants; senior officers of the armed forces; and any other groups which may be referred to it. In presenting its advice the Review Body should give full weight to recruitment and retention, conditions of service, affordability, and the likely effects of its recommendations on the economy generally. The government will from time to time present evidence to the Review Body about the current position on these questions. Remuneration in other occupations is only relevant to the remuneration of these groups insofar as it effects the recruitment and retention position and should not be taken into account as an independent factor by the Review Body in framing its recommendations.



910
VL/37/lt



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

A C Galsworthy Esq
Foreign and Commonwealth Office
Downing Street
London SW1

13th June 1986

Dear Tony

TOP SALARIES REVIEW BODY

will request if req.

Thank you for your letter of 9 June. I attach a suggested re-draft, which the Chancellor would be happy with. It involves two changes from the previous draft. First, the Chancellor would not wish to imply that minor changes to the TSRB would always be the subject for discussion with staff interests. Second, the Chancellor would prefer to omit the second paragraph, which gives a larger degree of reassurance about the durability of the TSRB than the Chancellor thinks wise.

As the TSRB reports to the Prime Minister I am sending a copy of the letter to Nigel Wicks.

*Yours ever
Rachel*

RACHEL LOMAX

DRAFT LETTER

From: Secretary of State
for Foreign and Commonwealth Affairs

To: A D S Goodall Esq
CMG
Vice Chairman
Diplomatic Services Association

Thank you for your letter of 2 June about the Top Salaries Review Body. I have taken note of your concern and can assure you that there will be no basic change in the existing arrangements without appropriate discussions with the various staff interests involved.



a c/f

(original to knows)

OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

10 June 1986
R1116

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY

As you know, Professor Sargent is shortly due to retire from the Review Body and you have already been kind enough to write to him in appreciation of his service. Our purpose in writing this joint letter is to ask whether consideration might be given to the possibility of proposing him for some public honour on his retirement. Although it is perhaps unusual for a member of a Review Body to be singled out in this way, we believe that there would be ample justification for this in the particular circumstances.

Dick Sargent has been a member of the Review Body from its inception in 1971 and has served longer than any other member in its history. He was also a member of the Review Body on Doctors' and Dentists' Remuneration from 1971-1975 and, we understand, has recently accepted appointment to the Pharmacists Review Panel. In extent and duration alone, therefore, his service is of an exceptional order and he has always played a very full part in the Review Body's affairs. In recent years, he has acted as deputy when the Chairman has had to be absent. Beyond the scale of his contribution, however, we would like to pay tribute to its consistent quality: as successive Chairmen, each of us has had reason to value its thoughtfulness and wisdom. The fact that we now write together may itself serve to testify to the high regard in which his advice and help has been held over a long period.

We venture to submit that some public recognition of the service he has rendered could well be appropriate.

Yours sincerely

Peter Matthews
David Orr
Harold Atcherley

SIR PETER MATTHEWS (Chairman)

SIR DAVID ORR (Chairman, 1982-85)

SIR HAROLD ATCHERLEY (Chairman, 1971-82)



S RW
cc JHess

10 DOWNING STREET

THE PRIME MINISTER

29 May 1986

Dear Sir Tom,

I do want to thank you for this year's reports by the Review Body for Nursing Staff, Midwives, Health Visitors and the Professions Allied to Medicine. Once more I am most grateful to you and your colleagues for the careful consideration which clearly went into their preparation.

The Government decided that all the Review Bodies, other than the TSRB, were to be treated in exactly the same way and that the awards recommended by these bodies should be implemented in full, without abatement, at the earliest possible date. However, we also concluded that implementation should not be made at the expense of services.

We therefore agreed that the best solution would be to implement the awards from 1 July. Even so, this still left the health service short of the necessary resources to meet the full cost of the award from that date. Some of the cost could be recovered from the benefit of reduced inflation; the rest is being met, exceptionally, by providing an extra £60 million for health authority cash limits from the Reserve.

Yours sincerely
Margaret Thatcher

Sir John Greenborough, K.B.E.

BM



10 DOWNING STREET
LONDON SW1A 2AA

file.

23rd May 1986

Dear Paul

I am writing to thank you for all your help in the production and distribution of this year's Review Body Reports.

Please pass our thanks on to everyone involved at Nine Elms (a separate letter is going to the Macaulay Press).

With best wishes,

Nicky Roche

Miss Nicky Roche
Parliamentary Clerk

Paul Simmonds
P3A
HMSO
51 Nine Elms Lane
LONDON SW8



file

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23rd May 1986

I am writing to thank you for all your work in the printing of this year's Review Body Reports. As always they were produced to the highest standards.

Please pass our thanks on to everyone at the Press who was involved.

David Norgrove

Derek Eke
HMSO
Unit 2A
Tideway Industrial Estate
87 Kirtling Street
LONDON SW8

BM



10 DOWNING STREET

THE PRIME MINISTER

23 May, 1986.

Dear Lord Plowden.

As you know, because I asked Robert Armstrong to tell you, I announced the Government's decisions on the Top Salaries Review Body's recommendations yesterday afternoon.

On this occasion, we were considering the report from the TSRB at the same time as the reports from the other review bodies. In each case the recommendations were for increases well above what would have been required to set the levels of remuneration broadly in line with inflation, and indeed above the current levels of wage settlements, though they were not out of line with the increase in average earnings. As you know, we take the view that settlements ought not to be based solely or primarily on comparability; and the levels of remuneration recommended presented severe financing problems this year, particularly for the National Health Service groups. After much consideration, therefore, we decided to implement the other review bodies' recommendations as recommended, but with effect from 1 July 1984. That will bring the cost of the increase in the pay bills this year down to an average of just under 6 per cent. Even so, the Treasury has had to find £60 million from the Reserve as a contribution towards financing the increases for the NHS groups.

For the groups covered by the Top Salaries Review Body, we came to the conclusion that, having implemented your Review Body's recommendations in full last year (even though on a staged basis), this year we should do no more than keep

HJZBYV

cc co.

2

the level of salaries thus established broadly in line with the rate of inflation since April last year. Accordingly we have decided to increase the salaries of the TSRB groups by an average 4 per cent with effect from 1 July 1986: the cost of the increases in 1986-87 will thus be about 3 per cent, which is the amount by which the Retail Prices Index rose from April 1985 to April 1986. The increase will be distributed on the pattern of the Review Body's recommendations. We recognised, of course, that the Review Body's recommendations already took account of many other considerations besides those of comparability; but we decided that that was as far as we should go this year.

We have however, I am glad to say, been able to accept in principle the recommendations which the Review Body made last year for the institution of discretionary increments for Grades 2 and 3 in the Civil Service. I know that the Review Body attached much importance to these recommendations, and I very much hope that their introduction will not only enable us to reward especially good performance at these levels but will also contribute to the general improvement of management efficiency which we are seeking to promote in the public service.

I should like once again to thank you and the other members of the Review Body for all the time and effort that you put into the Review. The fact that we have not been able on this occasion to go the whole way with your recommendations does not diminish our gratitude for the service you do in preparing them.

Yours sincerely
Nargaret Thatcher



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

22 May 1986

David Norgrove Esq
10 Downing Street
LONDON SW1

Dear David

REVIEW BODIES

... I attach a copy of briefing, prepared in the Treasury, on the Review Bodies announcement this afternoon.

I am copying this, with enclosures, to Private Secretaries to all Cabinet Ministers.

Yours ever

Tom

A W KUCZYS
Private Secretary

1986 REVIEW BODY AWARDS

GENERAL BRIEFING BY HM TREASURY.

A copy of the Prime Minister's statement is at Annex 1. A copy of the Chancellor's letter to MPs is at Annex 2. General briefing is at Annexes 3 to 7.

General questions about the Review Bodies, and about public expenditure and pay should be referred to the Treasury. Detailed questions about the AFPRB report and armed forces officers covered by the TSRB should be referred to MOD; on the DDRB and NPRB report to DHSS and, insofar as there are specific questions about Scotland and Wales, to the Scottish and Welsh Offices respectively; and on the judiciary to the Lord Chancellor's Department. The Treasury will deal with general TSRB issues and specific questions relating to the Civil Service.

Index

- Annex 1 Prime Ministers Statement.
- Annex 2 Chancellor's letter to MPs.
- Annex 3 Q and A briefing.
- Annex 4 Labour and Conservative records.
- Annex 5 Review Body Recommendations and Awards 1971-85.
- Annex 6 TSRB rates in detail.
- Annex 7 Discretionary pay.

**Poor quality
text due to the
nature of the
material.**

**Image quality is
best available.**

Thursday 22nd May 1986

ANNEX 1

(Answered by the Prime Minister on Thursday 22nd May 1986)

UNSTARRED Mr Edward Leigh: To ask the Prime Minister, if she
No. 237 will make a statement on the latest reports of the
pay review bodies.

THE PRIME MINISTER:

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

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

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

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

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

6. Details are as follows:

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

* Review Body figures, amended as necessary

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

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

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

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

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

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

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

NOTES

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



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

Dear Colleague

22 May 1986

PAY REVIEW BODY REPORTS

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

Despite the marked fall in inflation to 3 per cent we have agreed to implement all the recommendations, with the exception of those made by the Top Salaries Review Body, in full, but as from 1 July. They will provide increases averaging 8.2 per cent for professions allied to medicine, 7.8 per cent for nurses, and 7.6 per cent for doctors and dentists. The increase for nurses comes on top of a rise in their pay of 33 per cent more than inflation since 1979 while the number of nurses and midwives has increased by more than 60,000. This reflects the importance we attach to the National Health Service and those who work in it. For the armed forces there are increases averaging 7.5 per cent from 1 July.

But the implications of these pay awards in this financial year have to be faced. The addition to the paybills for 1986-87 is 6 per cent. Defence will live within its budget. For health, implementation as proposed might have adversely affected services to patients and we have therefore decided, exceptionally, to provide a further £60 million for health care this year, from within the total of planned public expenditure.

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

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

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

How far
1/19/86

NIGEL LAWSON

Annex 3

DECISIONS

1. What did the Review Bodies recommend, and what is being awarded?

<u>Review Body</u>	<u>Numbers</u>	<u>Percentage Paybill Increases</u>		
		<u>Recommended from</u> <u>1.4.86</u>	<u>Awarded from</u> <u>1.7.86</u>	<u>Average increase</u> <u>for '86-'87</u>
<u>Armed Forces</u>				
(up to Brigadier and equivalent)	330,000	7.46	7.46	5.6
<u>Doctors and Dentists</u>	101,300	7.6	7.6	5.7
comprising:				
- In the Hospital & Community Service	53,300	8.1	8.1	6.1
- the Family Practitioner Service	48,000	7.0	7.0	5.25
<u>Nurses, Midwives, PAMs</u>	518,190	7.8	7.8	5.9
comprising:				
- nurses, midwives health visitors	482,000	7.8	7.8	5.85
- professions allied to medicine	36,190	8.2	8.2	6.15
<u>TSRB</u>	1,951	6.5	4.0	3.0
comprising	1,951	6.5	4.0	3.0
- judiciary	1,085	6.7	4.1	3.1
- senior armed forces	207	6.4	3.8	2.9
- higher civil service	659	6.5	3.9	2.9

Effect on Individuals (All increases from 1 July)

Nurses

An Enrolled nurse (maximum) gets a £10 per week increase. A Staff nurse (maximum) gets £11 per week extra and will now earn nearly £150 per week. A Sister (maximum) gets an extra £15 per week and a weekly salary of £208 per week.

Doctors

A House Officer (minimum) gets an extra £10 per week and an annual salary of £8,140. A senior Consultant will get an increase of £50 per week (more than the Cabinet Secretary) and an annual salary of over £30,000 per year.

Armed Forces

The minimum pay of a private will increase more than £5 per week to £100 per week. Maximum pay for a private increases £11.50 per week to nearly £170 per week. The maximum for a Sergeant increases by £16.50 per week to £230 per week. The maximum for a Captain increases by over £1,000 per year to a salary of over £15,000 and a Major on maximum salary gets an increase of £1,500 per year and an annual salary of over £20,000 per year.

COSTS

2. What will the awards cost in 1986-87 and what is the saving from not implementing them in full from 1 April 1986?

<u>Review Body</u>	<u>Full Year Cost (£m) of Recommendations</u>	<u>1986-87 Cost (£m) (£m) of Awards</u>	<u>Difference</u>
Armed Forces	234	175	59
* NPRB - Nurses, Midwives, Health Visitors	326	244	82
- Professions Allied to Medicine	30	23	7
* DDRB	179	134	45
TSRB	5	2½	2½
TOTAL	774	578½	195½

* Includes allowance for employers National Insurance Contributions, Superannuation and agency staff (not included in Review Body reports.)

BLIC EXPENDITURE IMPLICATIONS

3. How is the award to be financed?

TSRB award will be financed within running cost limits. AFPRB award will be financed out of the Defence Budget cash limit. In order to allow Health Authorities to implement the NPRB and DDRBR awards, and at the same time meet the costs of pay settlements for other health service employees and maintain patient services, health authority cash limits will be increased by £60 million in 1986-87. [The Hospital and Community Health Services cash limits will increase as follows: England £50 million; Scotland £6 million; Wales £3 million; Northern Ireland £1 million].

4. What does this imply for NHS service levels?

The HCHS programme will benefit from the fall in inflation below the 4½ per cent expected earlier to 3 per cent. In addition Health Authorities have the benefit of cost improvement programmes. After taking account of these factors together with the extra money being provided exceptionally from the Reserve it should be possible to finance the Review Body increases and maintain service levels.

5. Isn't this just financing pay increases from the Reserve?

No. The RB increases will cost the Health Service £400 million in 1986-87, £60 million is being provided from the Reserve because the pressures on the Health Service from demography, increasing cost of medical technology, and demand for services mean that health authorities would not be able to finance the Review Body awards this year and still maintain service levels. Extra money being provided to maintain services to patients.

6. Will access to the Reserve be allowed to finance other NHS pay increases?

No. The Prime Minister's statement makes it clear that extra money is being provided exceptionally to maintain service levels. No further increases will be made.

7. Further squeeze on already strained Defence Budget

Allowing for delayed increases in food and accommodation charges set by the AFPRB deferment saves MOD £54 million in 1986-87. Remaining cost of increases can be financed within existing Defence Budget without displacing equipment programme.

8. Recommendations should have been paid from 1 April and extra cost met from the £4½ billion Reserve

£60 million has been allocated from the Reserve to maintain NHS services that would otherwise have been under pressure from the NHS Review Body awards. There is no question of automatic access to the Reserve to meet pay increases.

9. Does this mean the Reserve is in trouble?

No.

10. Effect on public expenditure in future years?

Matter for next public expenditure survey: wait for Autumn Statement and Public Expenditure White Paper. Government committed to sticking to totals for public spending in 1987-88 and 1988-89 published in last White Paper. Extra cost will need to be absorbed within that.

REASON FOR DEFERMENT

11. Why has implementation for DDRB, NPRB, AFPRB been deferred?

There is a continuing need to restrain public expenditure and pay awards generally. The recommended rates could not have been paid in full from 1 April without unacceptable implications for NHS service levels. The Government has to consider the interests of the NHS and the patient services it provides in judging how much can be afforded for pay increases. There are also increasing pressures within the Defence Budget.

12. Failure to implement reports fully is breach of faith with the groups concerned

No. All Governments, since establishment of Review Bodies, have reserved right not to implement Review Body recommendations in full if there are "clear and compelling" reasons for not doing so. Affordability is a clear and compelling reason and one that the Government, which has ultimate responsibility for public service pay, must decide upon in the light of fairness to the groups concerned but also the implications for service levels and the interests of taxpayers.

13. What is the point of Review Bodies if the Government does not accept their judgement?

The Government has, with the exception of the TSRB (see below) accepted the Review Bodies' judgements about the appropriate rates of pay for the groups. It has simply deferred their implementation for three months in the light of the need to restrain public expenditure and pay awards and to protect service levels in the NHS. Government not the Review Bodies has ultimate responsibility for these matters and has to raise the taxes to pay them. The Review Bodies did not take sufficient account of the overall affordability and the wider economic position in their recommendations.

14. Does the Government consider all the Review Body awards to be excessive? In which case why didn't it implement lower increases?

All the Review Bodies have made recommendations whose average level is well above inflation and also above prevailing level of outside settlements. Nevertheless the Government's general policy is to implement such recommendations, and it has done so except for TSRB, albeit with some small delay. This delay reduces their cost in 1986-87.

15. Government hardly ever implements the reports in full. [TSRB report has never been implemented from due date, DDRB report has been staged for last 5 years, AFPRB was staged in 1984, NPRB staged last year.]

Government has to have regard to the implications for service levels and taxpayer of recommendations. This has often required staging/deferment. Previous Governments have done this also. See Annex 5 for details. Public money is limited. However, the recommended rates have nearly always been paid in full by the year end (except for TSRB) by this Government and (except for TSRB) will be in place by 1 July 1986.

EFFECT ON REVIEW BODY CLIENTS

16. These groups are being badly treated

Real pay of the Review Body groups has increased substantially under this Government, which has a much better record than last Labour administration (see Annex 4 for details).

17. Cash increases for TSRB higher than nurses eg Head of Civil Service £2,400 per year, Nursing Sister £800 per year.

TSRB groups held to 3 per cent this year and 4 per cent next year: half percentage increases of Nurses. Obviously cash increases large for those already high paid. Relative gains much greater for rest.

18. Outrageous that nurses should have to wait 3 months for any increase

With inflation running at around 3 per cent the pay of qualified nurses will increase by 3 per cent more than inflation in 1986-87 as a whole and 5 per cent more than inflation by the year end. This is also against a background of a TPI increasing at an annual rate of 1 per cent, and on top of a rise in nurses pay of 33 per cent more than inflation since 1979. [See Annex 4 for details]. [The TPI, Tax Price Index, measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. As well as changes in retail prices it takes account of changes to direct taxes (and employee's National Insurance contributions) facing a representative cross-section of taxpayers. It is thus a more comprehensive index than the RPI. The TPI increase is lower than the RPI increase in the 12 months to April because of the increase in personal tax allowances and reduction in the basic rate of income tax announced in the April 1986 Budget].

19. Review Body groups treated less favourably than police, whose pay increases are linked to average earnings growth.

Police pay determined by mechanical formula with no scope for judgement.

20. Groups with Review Bodies favoured compared with rest of the public services

No reason for treating all public service groups the same. Each has its own (and different) recruitment, retention and affordability situation.

21. Contrast with Civil Service 6 per cent

Review Bodies have done much better than Civil Service over last few years. And, by end of year the Review Body groups (except TSRB) will on average have received larger increases than Civil Service.

22. Will pay awards be backdated for pensions?

No. Long standing rule that pensions are based on salaries in payment. However, to avoid a pensions trough for Armed Forces personnel, those retiring between 1 April and 30 June will exceptionally be given the pensions increase paid to those retiring on or before 31 March.

23. Manifesto promise to Armed Forces broken

No. The Government's record is good. It restored comparability on coming to office and has consistently maintained it ever since. Staging in 1984 and deferment this year does not undermine the manifesto commitment. The full rates recommended by the AFPRB will be paid from 1 July.

REPERCUSSIONS

24. Implications for public service groups yet to settle eg NHS ancillaries

No automatic read-across. Each group considered in its own negotiating context and in the light of individual recruitment and retention situation.

TSRB

25. Why have the TSRB recommendations been reduced, alone of the Review Bodies

These groups received very substantial increases last year as a result of a full study of appropriate salary levels. The Government accepted these recommendations and implemented them in full from 1 March 1986. All that was needed this year was simple updating, implying an increase broadly in line with price movements. TSRB recommendations are for increases averaging 6½ per cent, well beyond updating. Inflation running at 3 per cent.

26. Government reneging on 1985 award. What became of retention and motivation?

Large increases following fundamental looks at appropriate salary levels last year. These cannot have changed much since then. Limited uprating was all that was needed this year.

27. Government is picking on TSRB because they are well paid

No. Government implemented substantial increases last year for them and from 1 July is updating them.

28. Unfair to US's, who lost London Weighting last year and are now held down again

London Weighting was withdrawn in two stages on advice of TSRB. Government has reduced all TSRB rates by same percentage so the US's do better than rest of the Senior Civil Service as TSRB intended.

29. Why bother having Review Body if its advice is to be ignored

Government has to take all factors into account, including interests of taxpayer and fairness between groups. In light of last year's high awards it did not believe further increases averaging 6½ per cent were justified.

30. Decisions distort relativities

No. Government has reduced all increases by about one-third, keeping relativities established by TSRB. Relativities between TSRB/AFPRB groups are somewhat compressed but the Government believes they are adequate to encourage sufficient people of the right quality to undertake the responsibilities of higher rank.

DISCRETIONARY PAY

31. When will discretionary pay be introduced?

As soon as criteria for awarding it have been worked out and the necessary arrangements for implementation have been made.

32. Cost of discretionary pay?

The TSRB has estimated that it will add about 3 per cent to the salary bill for G2s and G3s when fully implemented (ie under £½ million per year). But this will take some time to build up. Cost will depend upon date of implementation and time it takes to become fully established. Guesstimate for Year 1 are less than £¼m.

JUDICIARY

33. Why does the President of England & Wales Land Tribunal receive 15 per cent and members of Land Tribunals 36 per cent

TSRB explains that they were allocated to the wrong tier of judicial remuneration in the 1985 Report on judicial relativities and their position is now being put right. The increases are therefore of a "regrading" nature.

FUTURE

34. Is the TSRB going to be abolished?

Nothing is immutable but no current plans to change present arrangements. If any substantive changes to present arrangements were envisaged there would be consultation with those affected.

35. What if TSRB resign in protest at rejection of their recommendations?

No reason for expecting this. TSRB recommendations have been set aside in previous years without leading to resignations.

ANNEX 4

This annex covers the record of the last Labour and present Conservative Governments on the real pay increases received by the groups covered by Review Bodies. The figures reflect increases actually implemented during the periods of office of the Governments. Thus the increases under Labour are calculated by comparing the increases in pay rates that took place between February 1974 and May 1979. [Thus any increases in pay that took effect from April 1979 after backdating are excluded if they were not implemented until after the May 1979 election. Similarly any increases from April 1979 implemented before the election are included.] Similarly the increases in pay under the Conservative Government compare present rates of pay with those in payment immediately before they took office. [Thus the increases that were implemented after the 1979 election but backdated to April 1979 are included in the Government's record]. The increases in pay are deflated by the actual changes in the retail price index between February 1974 and May 1979, and May 1979 and today respectively.

This presentation means that the Labour period covers five pay rounds (1974 to 1978 inclusive). During the Conservative period seven pay rounds have taken place (1979 to 1985). Hence annual averages are also given.

ARMED FORCES PAY REVIEW BODY

History. Established 1971. Effectively suspended in 1976 and 1977 and awards restricted to pay policy norms. Reported in 1978, Labour Government limited April 1978 award to 13 per cent (10 per cent + 3 per cent for the "x" factor); remainder to be staged over two years. Increase of 24.2 per cent announced by Labour just before 1979 election. Manifesto commitment of 1979 to restore fully comparable pay levels and to keep them there. Backlog from 1978 was implemented at once. 1983 Manifesto confirmed that the 1979 pledge had been honoured. Since 1979 all AFPRB recommendations have been implemented, although implementation was staged in 1984. (Annex 5 for details).

Record of Different Administrations

MOD construct an index of military salaries for AFPRB ranks. The average pay increases that took place in real terms during the last Labour and present Conservative Governments were as follows:

<u>Labour</u>	<u>Conservative</u>
11.7	1.8

The above apparently more impressive Labour record is only because of the implementation of a 24.2 per cent average increase just before the 1979 election. Up to that point a fall of 8.6 per cent had occurred in real terms, causing acute recruitment, retention and morale problems. The Conservative Government immediately paid the remaining backlog from the 1978 award upon taking office and has since then kept military salaries in line with those of broadly comparable civilian occupations.

The above index covers military salaries for all adult males (except some specialists). The tables below set out the records of the two administrations for specific ranks.

Real increases in salary scales (%)

	<u>Labour</u>	<u>Conservative</u>
Private. Class 1, Band 2, Scale B (max)	15	-
Staff Sergeant. Band 6, Scale C (max)	19	4
Captain (max)	-	9
Brigidier (max)	(6)	17

The reason for the apparently more impressive Labour record for the lower ranks is again the increase averaging 24.2 per cent implemented just before the May 1979 election. Up to that point the record was of real falls as follows: Private 5 per cent, Staff Sergeant 4 per cent, Captain 18 per cent and Brigadier 22 per cent.

Points to Make

- (a) Under last Government military salaries fell well below the levels recommended by AFPRB and by about $8\frac{1}{2}$ per cent in real terms until just before the election. Larger falls for some grades, notably officers. Result: poor morale, recruitment and retention problems for Labour's period of office.
- (b) Present Government has honoured Manifesto commitments to restore and maintain comparable salary levels for the Armed Forces with civilian earnings. All AFPRB recommendations have been implemented.
- (c) The Government is implementing this year's recommendations in full from 1 July. This will increase average military salaries by about $2\frac{1}{2}$ per cent more than inflation in this financial year and by around $4\frac{1}{2}$ per cent by the end of the year.

NURSES PAY REVIEW BODY

History. Established in 1983 because most nurses did not take part in industrial action in the Health Service in 1982. First report in 1984 was implemented in full. 1985 report staged but recommended rates in payment from 1 February 1986. (Annex 5 for details). Prior to 1984, pay set by collective bargaining. Two major reviews: Halsbury, implemented in 1974 by Labour; Clegg, staged awards completed in 1980.

Record of different Administrations

The index below shows the percentage real increases in the index of average nursing salaries prepared by DHSS and those received by professions allied to medicine during the Labour and Conservative Governments.

	<u>Labour</u>	<u>Conservative</u>
Nurses	13	26 (a)
PAMs	12	18

(a) Treats hours reduction in 1981 as pay rise

The real increase in pay during the Labour Administration reflects the implementation of the 1974 Halsbury Committee report which recommended increases of 40 per cent. However, from then on in its period of office real pay for nurses and PAMs fell. Over this Government's period of office the real pay of nurses has increased by around 3½ per cent per year and PAMs by 2½ per cent per year.

The increases under this Government can be put in a wider context. Nurses basic pay has risen 33% more than inflation [i.e. pay + 112%; RPI + 79%] since May 1979 and there has also been a cut of 2½ hours in the working week. There are an extra 60,000 nurses in GB now compared with 1979.

The above table is based on an index of all nursing salaries. It is weighted in accordance with the grading structure in the mid-70s and is somewhat out of date. A better comparison of nursing salaries is gained by looking at relative pay increases for particular nursing grades. The table below sets out the records of the two administrations for specific grades.

Real increases in salary scales (%)

	<u>Labour</u>	<u>Conservative</u>
Ward Sister (max)	2	36
Staff Nurse (max)	7	28
Nursing Auxiliary (max)	6	20

(a) Treats hours reduction in 1981 as pay rise.

The pattern of increases above reflects the policy of improving the relative pay of qualified staff, implemented by this Government.

Points to Make

- (i) Under Labour nurses pay rose after implementation of Halsbury award but then fell in real terms. Labour were forced to set up another review - Clegg - to deal with this and this Government honoured it.
- (ii) Nurses have had increases in basic rates of 33% more than the increase in prices since 1979 and a reduction of 2½ hours in the working week. There are 60,000 more nurses and midwives than there were in 1979.
- (iii) Counting the reduction in hours as a pay increase real pay of nurses on average rose under the Conservatives by 26 per cent. Pay for qualified nurses by even more.
- (iv) Government gave the nurses and pams a Review Body in 1983 and has implemented the recommended rates, although staging was necessary last year.
- (v) Recommended rates will be in payment by 1 July. Taking account of deferment nurses will receive a further real pay increase of about 3 per cent in this financial year and 5 per cent in a full year.
- (vi) Following the implementation of these awards the real pay of nurses will have risen by about a third since the Government took office, with some qualified staff gaining increases of over 40 per cent.

DOCTORS AND DENTISTS REVIEW BODY

History. Established in 1971. Previous independent machinery for advising on pay (Kindersley Committee) collapsed just before June 1970 election when Labour Government tried to delay publication of the report, leading to the Committee's resignation. The DDRB's recommendations were staged in 1975 and it was effectively suspended in 1976 and 1977 when awards were limited to those allowed by pay policy norms. DDRB Report in 1978 recommended a three year phased award, which the present Government honoured. The 1981 recommendations were abated by 3 per cent, but this was subsequently restored in 1983. The recommended rates have been paid since then although always with staging. (Annex 5 for details).

Record of different Administrations

The table below sets out the percentage increases in pay for doctors in the Hospital and Community Health Service under the last Labour and present Conservative Governments.

<u>Labour</u>	<u>Conservative</u>
(31)	30

Real pay for hospital doctors fell on average 6 per cent per year under Labour but rose by about 4 per cent per year under the Conservatives. After taking account of the deferment of the 1986 recommendations doctors pay will increase by a further 2½ per cent in 1986-87 and by 4½ per cent by the year end.

The above index covers only doctors in the Hospital and Community Services. The table below sets out the records of the two administrations for specific grades and also for GPs.

Real increases in salary scales (%)

	<u>Labour</u>	<u>Conservative</u>
Consultant (max)	(33)	30
House Officer (max)	(21)	21
GP	(25)	36

Points to Make

- (a) Under Labour the salaries of hospital doctors fell 30 per cent in real terms; under the Conservatives they rose by that amount.
- (b) This year decisions imply a further real increase of $2\frac{1}{2}$ per cent in the 1986-87 financial year as a whole and $4\frac{1}{2}$ per cent by year end.

TOP SALARIES REVIEW BODY

History. Established 1971. Staged in 1974. Suspended 1975 to 1978 during incomes policy. Reported in 1978 but recommendations cutback to 10 per cent and remainder staged. 1979 recommendations staged. 1980, 1981 and 1982 recommendations reduced. Staging 1983, 1984 and 1985. (Annex 5 for details).

Records of Different Administrations

The table below sets out the relative increases in real pay rates that took place during the previous Labour and present Conservative administrations for selected grades:

Real Increases in Salary Scales

	<u>Labour</u>	<u>Conservative</u>
High Court Judge	(45)	45
Circuit Court Judge	(33)	41
Major-General	(23)	31
General	(34)	48
Under Secretary (max)	(26)	24
Permanent Secretary	(45)	45

Even with the reduction and deferment of this year's TSRB recommendations the average increase in salaries in 1986-87 is worth just over 3 per cent, which is about the present inflation figure. By the year end, the average salary will have increased a further 1 per cent in real terms.

Points to Make

- (a) The previous Labour Government imposed massive real reductions in the pay of the judiciary, senior military and higher Civil Service through the operation of pay policies which discriminated against the public services and (because of the flatrate element of some of them) against these groups in particular;
- (b) The position has been put right by this Government and the grades concerned have received high real increases since the Government took office;

SECRET

until announcement on 22 May

(c) This year's increases - although lower than recommended by the TSRB - are in line with inflation and will allow them to maintain their living standards. In a full year the Government's decisions will increase average salaries by about 1 per cent in real terms. Indeed if account is taken of the Budget tax cuts which brought the annual increase in the Tax Price Index in April down to 1.2 per cent their living standards should improve.

ANNEX 5

REVIEW BODY RECOMMENDATIONS AND AWARDS -1971-85

	<u>AFPRB</u>	<u>DDR</u>	<u>NPRB</u>		<u>TSRB</u>	<u>judiciary</u>
			<u>nurses</u>	<u>pams</u>	<u>senior civil service & senior military</u>	
<u>1971</u>						
Recommendation	-	8%	-	-	-	-
Implemented	-	8%	-	-	-	-
<u>1972</u>						
Recommendation	10%	8%	-	-	6.8%	6.8%
Implemented	10%	8%	-	-	6.8%	6.8%
<u>1973</u>						
Recommendation (a)	6.5%	4.5%	-	-	£250 pa	£250 pa
Implemented	6.5%	4.5%	-	-	£250 pa	£250 pa
<u>1974</u>						
Recommendation (a)	13%	7.4%	-	-	£350 pa	£350 pa
Implemented	13%	7.4%	-	-	£350 pa	£350 pa
<u>1975</u>						
Recommendation	29.5%	30% (b)	-	-	(c)	(c)
Implemented	29.5%	15%	-	-	(c)	(c)
<u>1976</u>						
Recommendation (a)	£6 pw	£6 pw	-	-	£6 pw	£6 pw
Implemented	£6 pw	£6 pw	-	-	£6 pw	£6 pw
<u>1977</u>						
Recommendation (a)	5%	£208 pa (2½%)	-	-	£208 pa	£208 pa
Implemented	5%	£208 pa (2½%)	-	-	£208 pa	£208 pa
<u>1978</u>						
Recommendation	32%	10%	-	-	35%	35%
Implemented	13% (d)	10%	-	-	10%	10%
<u>1979</u>						
Recommendation	32.5%	25.7%	-	-	23.2%	22.9%
Implemented	32.5% (e)	25.7% (f)	-	-	13.4% (f)	12.5% (i)

SECRET
until announcement on 22 May

	<u>AFPRB</u>	<u>DDRB</u>	<u>NPRB</u>		<u>TSRB</u>	<u>judiciary</u>
			<u>nurses</u>	<u>pams</u>	<u>senior civil service & senior military</u>	
<u>1980</u>						
Recommendation	16.8%	31.4%	-	-	38.2%	35.7%
Implemented	16.8%	31.4%	-	-	12.3%	12.1%
<u>1981</u>						
Recommendation	10.3%	9%	-	-	23.0%	21.1%
Implemented	10.3%	6%	-	-	7.0%	7.0%
<u>1982</u>						
Recommendation	6.1%	9%	-	-	19.4%	24.3%
Implemented	6.1%	6%	-	-	14.3%	18.6%
<u>1983</u>						
Recommendation	7.2%	9.7% (b)	-	-	11.7% (b)	11.7% (b)
Implemented	7.2%	7.7%	-	-	5.8%	5.9%
<u>1984</u>						
Recommendation	7.6% (b)	6.9% (b)	7.5%	7.8%	6.5% (b)	6.5% (b)
Implemented	4.9%	4.6%	7.5%	7.8%	4.5%	4.5%
<u>1985</u>						
Recommendation	7.1%	6.3% (b)	8.6% (b)	12.1% (b)	12.2% (b)(g)	16.3% (b)
Implemented	7.1%	5.3%	5.6%	5.6%	5.1% (g)	7.1%

Notes

- (a) Review Body recommendations and awards restricted to those allowed under pay norms.
- (b) Staging reduces in-year cost. Full rates paid by year-end.
- (c) A second TSRB report in 1974 recommended increases of 28.8%. The Government implemented increases varying between 14.4% and 28.8% for individuals on 1.1.75 and announced an intention to pay the second stage on 1.1.1976. However, the second stage was not paid because of pay policy.
- (d) 10% pay policy norm plus 3% for introduction of the 'x' factor.
- (e) Labour Government implemented 24.2% increase just before May 1979 election. Incoming Conservative Government implemented a further 8.3% to restore fully comparable salaries.
- (f) Implemented by Conservative Government.
- (g) Figure is for senior civil service. Senior military recommendations were 17.6 per cent. Award was 7.3 per cent in-year.

ANNEX 6.

	Salaries currently in payment £	Cash TSRB recomm- endation £	Increases Awarded £	Salaries effective from 1 July (note 1)	Staff in post (note 1)	Percentage TSRB recomm- endations	Increases Awarded Full- year	1986- 1987
SENIOR GRADES OF THE HIGHER CIVIL SERVICE								
Head of the Civil Service (and Secretary of the Cabinet)	75,000	4,000	2,400	77,400	1	5.33	3.20	2.40
Permanent Secretary of the Treasury	70,000	4,000	2,400	72,400	1	5.71	3.43	2.57
Grade 1 (Permanent Secretary)	60,000	3,500	2,100	62,100	21	5.83	3.50	2.63
Grade 1A (Second Permanent Secretary)	55,000	3,000	1,800	56,800	14	5.45	3.27	2.45
Grade 2 (Deputy Secretary)								
- on promotion	40,000	2,500	1,500	41,500	140	6.25	3.75	2.81
- after 1 years service in the grade	42,000	2,500	1,500	43,500	1	5.95	3.57	2.68
				45,500				
discretionary (note 2)				47,825				
				50,150				
Grade 3 (Under Secretary)								
- on promotion	31,000	2,250	1,350	32,350	482	7.26	4.35	3.27
- after 1 years service in the grade	32,500	2,250	1,350	33,850	1	6.92	4.15	3.12
- after 2 years service in the grade	34,000	2,250	1,350	35,350	1	6.62	3.97	2.98
				36,850				
discretionary (note 2)				38,425				
				40,000				

SENIOR OFFICERS IN THE ARMED FORCES

	Salaries currently in payment £	Cash TSRB recomm- endation £	Increases Awarded £	Salaries effective from 1 July	Staff in post (note 1)	Percentage TSRB recomm- endations	Increases Awarded Full- year	1986- 1987
Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	75,000	4,000	2,400	77,400	1	5.33	3.20	2.40
Admiral General Admiral Chief Marshal	60,000	3,500	2,100	62,100	19	5.83	3.50	2.63
Vice-Admiral Lieutenant General Air Marshal	42,000	2,500	1,500	43,500	33	5.95	3.57	2.68
Rear Admiral Major General Air Vice-Marshal	34,000	2,250	1,350	35,350	154	6.62	3.97	2.98

	Salaries currently in payment £	Cash TSRB recomm- endation £	Increases Awarded £	Salaries effective from 1 July (note 1)	Staff in post (note 1)	Percentage TSRB recomm- endations	Increases Awarded Full- year	1986- 1987
JUDICIARY								
Lord Chief Justice	75,000	4,000	2,400	77,400	1	5.33	3.20	2.40
Lords of Appeal Master of the Rolls Lord President of the Court of Session Lord Chief Justice (N.Ireland)	69,000	4,000	2,400	71,400	12	5.80	3.48	2.61
Lord Justice Clerk Lords Justices of Appeal Lords Justices of Appeal (N.Ireland) President of Family Division Vice-Chancellor	66,000	4,000	2,400	68,400	28	6.06	3.64	2.73
High Court Judges Judges of the Court of Session Pulene Judges (N.Ireland)	60,000	3,500	2,100	62,100	102	5.83	3.50	2.63
Chairman, Scottish Land Court and President, Lands Tribunal (Scotland) Sheriffs Principal Official Referees Vice-Chancellor of the County Palatine of Lancaster Senior Circuit Judges Recorder of Liverpool Recorder of Manchester Recorder of Belfast Chief Social Security Commissioners (England, Wales and Scotland and N.Ireland) Presidents, Industrial Tribunals (England and Wales, Scotland and N.Ireland) Judge Advocate General President Social Security Appeal Tribunals and Medical Appeal Tribunals (England, Wales and Scotland) Chairman, Criminal Injuries Compensation Board	44,500	2,500	1,500	46,000	30	5.62	3.37	2.53

	Salaries	Cash	Increases	Salaries	Staff	Percentage Increases		
	currently in payment £	TSRB recomm- endation £	Awarded £	effective from 1 July	In post (note 1)	TSRB recomm- endations	Awarded Full- year	1986- 1987
Presidents, Lands Tribunals (England and Wales and N.Ireland) (note 3)	40,000	7,000	6,000	46,000	1	17.50	15.00	11.25
Circuit Judges } Sheriffs } County Court Judges (N.Ireland) } Social Security Commissioners (England, Wales and Scotland and N.Ireland) } Registrar of Criminal Appeals } Chief Metropolitan Magistrate } Senior and Chief Masters and Registrars } Master, Court of Protection } Chairman, Foreign Compensation Commission } Regional Chairmen, Industrial Tribunals } (England and Wales and Scotland) } Judge Advocate of the Fleet } Vice-Judge Advocate General } President, Value-Added Tax Tribunals } President, Immigration Appeal Tribunal } Presiding Special Commissioner of Income Tax } President, Social Security Appeals Tribunals } and Medical Appeals Tribunals (N.Ireland) } Regional Chairmen, Social Security Appeal } Tribunals and Medical Appeal Tribunals }	40,000	2,500	1,500	41,500	507	6.25	3.75	2.81
Members, Land Tribunals (England and Wales, Scotland and N.Ireland) (note 3)	30,500	12,000	11,000	41,500	9	39.34	36.07	27.05

	Salaries currently in payment £	Cash TSRB recomm- endation £	Increases Awarded £	Salaries effective from 1 July £	Salaries in post (note 1) £	TSRB recomm- endations	Awarded Full- year	1986- 1987
Chairmen, Industrial Tribunals (England and Wales, Scotland and N.Ireland)								
Metropolitan Magistrates								
Provincial Stipendiary Magistrates								
Resident Magistrates (N.Ireland)								
Masters and Registrars of the Supreme Court								
Masters of the Supreme Court (N.Ireland)								
Registrar of Civil Appeals	30,500	2,250	1,350	31,850	395	7.38	4.43	3.32
County Court Registrars and District Registrars of the High Court								
Circuit Registrars (N.Ireland)								
President, Pensions Appeal Tribunal								
Vice-Presidents, Immigration Appeal Tribunal								
Vice-President (Scotland) and Chairmen, Value-Added Tax Tribunals								
Chairmen, Social Security Appeal Tribunals and Medical Appeal Tribunals								
Special Commissioners of Income Tax								

NOTES

1. At latest available date
2. Proposals under consideration
3. Post rebanded for salary purposes

ANNEX 7CRETIONARY PAY

1. What are the "rigorously applied criteria" that will merit discretionary pay?

Discretionary pay will depend on performance assessed within a formal appraisal system. The details are under consideration.

2. How will discretionary pay improve "flexibility for other purposes"?

Additional incremental points could be used to tailor pay rates more specifically to market pressures for certain posts.

3. Why are performance bonuses being withdrawn for Grade 3's?

Introduction of discretionary pay makes them unnecessary.

4. Will the money saved from withdrawing these bonuses from Grade 3's be recycled to the other grades eligible for performance bonuses?

Yes.

5. Does the move to discretionary pay indicate that the Government will be moving in this direction with lower grades as well?

The Government would like to strengthen the link between pay and performance generally within the Civil Service. The performance bonus experiment is a move in this direction. The Government intends to pursue further steps in the future but has no plans to extend discretionary pay beyond Grades 2 and 3 at present.

6. How will discretionary pay work?

Discretionary increments for Grades 2 and 3 will have two elements. Existing increments will not be automatic for new entrants to these grades but provided performance is satisfactory these increments would normally be given although a positive decision based on performance will be required before the increment is awarded. There will also be additional increments above the present scales. These will be beyond the normally attainable maximum and will be awarded to only a limited number of people in these grades. Sustained high performance measured against demanding standards will be required to receive these.



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

David Norgrove Esq
Private Secretary
10 Downing Street

22 May 1986

Dear Sir

PAY REVIEW BODIES

I attach, as requested, draft letters for the Prime Minister to send to Sir Robert Clark and Sir John Greenborough.

Yours

Giles

GILES DENHAM
Private Secretary

SPWAGB

DRAFT LETTER TO SIR JOHN GREENBOROUGH

I do want to thank you for ^{this year's} ~~the~~ reports of by
~~Thank you for your letter of~~ April with which you submitted
the ~~Third Reports~~ of the Review Body for Nursing Staff, Midwives,
Health Visitors and the Professions Allied to Medicine. Once
more I am most grateful to you and your colleagues for the careful
consideration which clearly went into their preparation.

~~As you ^{will} probably know, the Government proposes to accept your
recommendations and implement them in full from 1 July 1986.~~

The Government decided that all the Review Bodies, other than the
TSRB, were to be treated in exactly the same way and that the
awards recommended by these bodies should be implemented in full,
without abatement, at the earliest possible date. However, we
also concluded that implementation ^{should} ~~was not to~~ be made at the expense
of services.

We therefore agreed that the best solution ^{would be} ~~was~~ to implement the
awards from 1 July. Even so, this still left the health service
short of the necessary resources to meet the full cost of the award
from that date. Some of the cost could be recovered from the
benefit of reduced inflation; the rest is being met, exceptionally,
by providing an extra £60 million for health authority cash limits
from the Reserve.

DRAFT LETTER TO SIR ROBERT CLARK

SWAEB

I do want to

I am writing to thank you and your colleagues for the Sixteenth Report on the remuneration of doctors and dentists.

As you probably know, the Government proposes to accept your recommendations and implement them in full from 1 July 1986. As in previous years, provision for general practitioners' expenses will be made from 1 April 1986.

The Government decided that all the Review Bodies, other than the TSRB, were to be treated in exactly the same way and that the awards recommended by these bodies should be implemented in full, without abatement, at the earliest possible date. However, we also concluded that implementation ^{and} ~~was~~ not to be made at the expense of services.

We therefore agreed that the best solution ^{would be} ~~was~~ to implement the awards from 1 July. Even so, this still left the health service short of the necessary resources to meet the full cost of the award from that date. Some of the cost could be recovered from the benefit of reduced inflation; the rest is being met, exceptionally, by providing an extra £60 million for health authority cash limits from the Reserve.



Prime Minister

A letter for your signature to Lord Plowden is below. JHS 23/5.

Ref. A086/1529

MR WICKS

I understand that the Prime Minister would like to write to Lord Plowden about the decisions on the TSRB recommendations. I --- attach a draft letter herewith.

2. I was able to speak to Lord Plowden earlier in the afternoon, and I told him what the Government's decisions were. He understood the considerations which had led the Governemnt to abate the Review Body's figures, though he pointed out that the decision would be likely to mean larger "catching up" increases than would otherwise have been necessary later on. He was very pleased to hear that the Government had decided to accept the TSRB's recommendations on discretionary increments for Grades 2 and 3. Indeed, he said that he attached much more importance to that than to the precise level of the salary increases. There was no hint that the decision to abate the recommendations would provoke the resignation of Lord Plowden or anyone else on the Review Body.

RA

ROBERT ARMSTRONG

22 May 1986

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10 DOWNING STREET

THE PRIME MINISTER

22 May, 1986.

Dear Sir Peter,

I asked John Stanley to write to you earlier today to give you advance notice of the Government decisions on the AFPRB Report. But I wanted also to thank you myself for all the hard work which you and your Committee put into the preparation of the Report. I am particularly grateful to you and your colleagues for making so much time available when you have so many other commitments. Please do pass on my thanks to each of the other members. We are, of course, implementing your recommendations in full but I hope that you and your Committee will understand why, for the reasons explained by John Stanley, the Government has decided that the award should be deferred until 1 July.

I look forward to receiving your supplementary report on the pay of Service medical and dental officers in due course.

Yours sincerely
Margaret Thatcher

Sir Peter Matthews

to

PERSONAL

Hm.02152



FROM: TONY PHILLIPS

DATE: 22 MAY 1986

Mr Catford

Reh
Deputy Establishment Officer

Wly N

~~MR DICKS~~
Nigel

*You will be aware of all this
but you may care to see what
has gone out: at Cabinet Office*

REVIEW BODY ON TOP SALARIES

The Government's decision following the 1986 TSRB recommendations will be released this afternoon. I thought that you would welcome a sight of it before you depart for the (slightly) extended weekend.

2. I enclose copies of Peter Kemp's letter to Establishment Officers, itself covering the pay rate tables, his letter to Peter Jones, CCSU, and a draft of the Prime Minister's statement.

3. I draw your attention especially to acceptance of the principle of discretionary increments.

A PHILLIPS



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233 3889

E P Kemp
Deputy Secretary

PRINCIPAL ESTABLISHMENT OFFICERS

22 May 1986

Dear Establishment Officer

PAY OF THE SENIOR OPEN STRUCTURE IN THE CIVIL SERVICE

I attach a note showing revised rates of pay for the Senior Open Structure of the Civil Service which result from the Prime Minister's announcement earlier today. A copy of this statement is also attached.

Advance copies of a Code Memorandum authorising new rates will be circulated shortly. The Code Memorandum will also set out the information we need to calculate revised rates for consequential departmental grades.

If further information is required in advance of the issue of the Code Memorandum Derek Hicks (01 233 8754) or Steve Willis (01 233 7891) will be available to help you.

I also attach a copy of a letter I have today given to the Council of Civil Service Unions amplifying the proposals for strengthening the link between pay and performance, and a copy of some suggested answers to points that may immediately come up. The main thing to emphasise is that while the decision to move in this direction has in principle been taken, there will be full consultation with staff interests before implementation. We shall keep Departments in touch with developments.

Copies go to all Members of EOM and EOM(SD).

Yours sincerely

E P KEMP

OPEN STRUCTURE - SENIOR

	Current salary	Revised salary from 1.7.86
	£	£
Head of the Home Civil Service	75,000	77,400
Permanent Secretary of the Treasury) Secretary of the Cabinet (1))	70,000	72,400
Grade 1	60,000	62,100
Grade 1A	55,000	56,800
Grade 2 UIPP(H)	48,500	50,150
Grade 2	42,000 40,000	43,500 41,500
Grade 3 UIPP(L)	37,000	38,425
Grade 3	34,000 32,500 31,000	35,350 33,850 32,350

NOTES

- (1) If not also Head of the Home Civil Service
- (2) The rates from the dates stated are the operative ones for pension purposes.
- (3) The cost of these increases are to be absorbed within running cost limits set.
- (4) The rates of pay for these grades do not attract London Weighting.
- (5) It is proposed that additional discretionary increments beyond the normally obtainable maximum for Grades 2 and 3 should be introduced following consultation and the necessary preparatory work. The rates proposed are: Grade 2 £45,500, £47,825 and £50,150; Grade 3 £36,850, £38,425 and £40,000. At the same time the increments on the normal scales introduced last year would no longer be automatic for new entrants to these grades.
- (6) The recommended rates were: Head of the Home Civil Service £79,000; Permanent Secretary of the Treasury £74,000; Grade 1 £63,500; Grade 1A £58,000; Grade 2 £42,500, £44,500; Grade 3 £33,250, £34,750, £36,250.
- (7) Rates for Grade 4 will be promulgated as soon as possible.

Thursday 22nd May 1986

(Answered by the Prime Minister on Thursday 22nd May 1986)

UNSTARRED Mr Edward Leigh: To ask the Prime Minister, if she
No. 237 will make a statement on the latest reports of the
pay review bodies.

THE PRIME MINISTER:

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

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

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

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

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

6. Details are as follows:

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

* Review Body figures, amended as necessary

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

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

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

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

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

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

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

NOTES

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



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233 3889

E P Kemp
Deputy Secretary

P D Jones Esq
Secretary
Council of Civil Service Unions
St Andrews House
40 Broadway
London SW1H 0BU

22 May 1986

DW Pelt

TSRB 1986

I attach a copy of the statement which the Prime Minister made in the House this afternoon on the Review Body Reports

You will note from the Prime Minister's statement that the Government has decided in principle to accept the recommendations of the TSRB for discretionary pay at Civil Service Grades 2 and 3, as part of the arrangements for strengthening the link between pay and performance. Specifically, it is proposed that additional increments beyond the normally attainable maximum of salary would be awarded to a limited proportion of people in Grades 2 and 3, within rigorously applied criteria for sustained high performance. We envisage that these additional increments above the normal scale would not be pensionable, and would be withdrawable if the recipient's performance ceased to merit them. The ability to award discretionary increments will also provide some flexibility for other purposes.

The discretionary points which it is proposed to introduce are shown in the Prime Minister's statement. Payments at these higher points would be introduced as soon as the detailed arrangements are completed, and we hope within the present financial year. Once the new arrangements are in operation, Grades 3 would normally cease to be eligible for performance bonuses.

We look forward to discussing these proposals with you.

Yours sincerely
E P Kemp

E P KEMP

GRADES 2 AND 3 - STRENGTHENING THE LINK BETWEEN PAY AND PERFORMANCE -
SOME NOTES

1. What are the proposals?

Outlined in Treasury letter to CCSU of 22 May. Additional increments proposed to be given beyond the normally attainable maximum; awarded to a limited number of people in these grades (the proportion still to be decided) for sustained high performance measured against demanding standards; and to provide some flexibility for other purposes.

2. Consultation with staff interests?

Yes. There will be consultation over the detailed arrangements before the scheme is implemented.

3. What is the target date for implementation?

Hope it can be introduced before the end of this financial year.

4. What are the discretionary rates proposed?

At Grade 2, £45,500, £47,825 and £50,150; at Grade 3 £36,850, £38,425 and £40,000. Derived from, but not precisely the same as, TSRB recommended rates as abated.

5. What will be the "rigorously applied criteria for sustained high performance"?

Discretionary pay will depend on performance assessed alongside a formal appraisal system. Details are under consideration.

6. What is "flexibility for other purposes"?

These additional incremental points could be used to tailor pay rates more specifically eg to market pressures for certain posts.

7. Future of UIPP(H) and UIPP(L)?

Remain for now. But proposed to be subsumed into new discretionary points. Note that rates for UIPP(H) and UIPP(L) as from 1 July 1986 each coincide with one of the proposed discretionary points at Grades 2 and 3.

8. Pensionability?

Where discretionary point is awarded for performance and is consequently withdrawable it would not be pensionable; if awarded for other purposes (eg to match the market or replace UIPP(H) and UIPP(L)) and was not withdrawable, it could be pensionable.

9. Future of Grades 3 in performance bonus experiment?

Once the new arrangements are in operation Grades 3 would normally cease to be eligible for performance bonuses. But they could still receive special bonuses exceptionally.

10. Cost of these proposals?

That depends on detailed decisions as to the size of the eligible population. Cost for these grades anyway offset by much lesser involvement of Grades 3 in the performance bonus scheme. "Guesstimates" are; first full year costs under £¼ million; eventual full year costs when mature under £1/3rd million.



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~990-7022~~ ~~XXXXX~~ 218 2111/3

MO 4/4E

22nd May 1986

Dear David

REVIEW BODY ON ARMED FORCES PAY

I attach a draft letter which the Prime Minister may wish to use in thanking Sir Peter Matthews and the members of the AFPRB for their work on this year's report.

In the Defence Secretary's absence in Brussels, the Minister of State for the Armed Forces wrote to Sir Peter today to let him know the outcome of today's Cabinet meeting in advance of the public announcement, and this letter is referred to in the draft letter for the Prime Minister.

Yours

(RICHARD HATFIELD)
Acting Private Secretary

David Norgrove Esq
No 10 Downing Street

Plead type

DRAFT LETTER FROM THE PRIME MINISTER TO SIR PETER MATTHEWS, AO
(Chairman, AFPRB)

PERSONAL

36

SLW

REVIEW BODY ON ARMED FORCES PAY

I asked John Stanley to write to you earlier today to give you advance notice of the Government decisions on the AFPRB Report. But I wanted also to thank you myself for all the hard work which you and your Committee put into the preparation of the Report. I am particularly grateful to you and your colleagues for making so much time available when you have so many other commitments. Please do pass on my thanks to each of the other members. We are, of course, implementing your recommendations in full but I hope that you and your Committee will understand why, for the reasons explained by John Stanley, the Government has decided that the award should be deferred until 1st July.

I look forward to receiving your supplementary report on the pay of Service medical and dental officers in due course.



pa

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

Dear Colleague

22 May 1986

PAY REVIEW BODY REPORTS

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

Despite the marked fall in inflation to 3 per cent we have agreed to implement all the recommendations, with the exception of those made by the Top Salaries Review Body, in full, but as from 1 July. They will provide increases averaging 8.2 per cent for professions allied to medicine, 7.8 per cent for nurses, and 7.6 per cent for doctors and dentists. The increase for nurses comes on top of a rise in their pay of 33 per cent more than inflation since 1979 while the number of nurses and midwives has increased by more than 60,000. This reflects the importance we attach to the National Health Service and those who work in it. For the armed forces there are increases averaging 7.5 per cent from 1 July.

But the implications of these pay awards in this financial year have to be faced. The addition to the paybills for 1986-87 is 6 per cent. Defence will live within its budget. For health, implementation as proposed might have adversely affected services to patients and we have therefore decided, exceptionally, to provide a further £60 million for health care this year, from within the total of planned public expenditure.

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

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

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

Howls from Nigel

NIGEL LAWSON



Ref. A086/1516

PRIME MINISTER

Review Body Reports

Flag A - (C(86) 15)

CONCLUSIONS

You will wish the Cabinet to record conclusions on

- i. the size and timing of pay increases for the various groups covered by the Review Bodies;
- ii. the proposed introduction of a system of additional discretionary increments above the normal scales for Grades 2 and 3 (Deputy and Under Secretaries);
- iii. the form and timing of the announcement;
- iv. the arrangements for the presentation and explanation of the Government's decisions; and
- v. subsequent Parliamentary handling, including the question of the Order increasing the salary of the Lord Chancellor to maintain his present pay lead over the Lord Chief Justice.

All these issues have been thoroughly prepared in discussion first with the Ministers directly concerned, and subsequently in a rather wider Group.



Size and Timing of Pay Increases

2. The recommendations for the armed forces and medical professions are to be implemented in full as from 1 July. In the case of the TSRB groups, the proposal is a paybill increase of 3 per cent, which is translated into average increases of 4 per cent from 1 July (rather than 4.2 per cent as earlier contemplated); this follows the conclusions of your meeting on 20 May.

Discretionary Increments

3. The Cabinet paper reflects the conclusions of your meetings. On the suggestion of the Chancellor of the Exchequer, the more detailed account of these changes has been omitted from the draft Written Answer, although the Government's decisions are clearly signalled. It is envisaged that the Government's proposals will be put to representatives of the staff concerned in the terms previously envisaged for your statement, by means of a letter from the Treasury whose text would be made available to the press.

Form of Announcement

4. It is proposed that the announcement should be made by Written Answer at 4.00 pm on 22 May, in accordance with the established precedent. The Answer (following the omission of detailed material about Grades 2 and 3) is now short and balanced, although it is still necessary to attach to it the table of new TSRB salaries. This is in the simplified form you suggested on 20 May.

Presentation of the Government's Policy

5. Arrangements are being made for the responsible Ministers, including the Chief Secretary, Treasury to brief the Officers of

the Conservative Back-Bench Committees. Annex D to the Cabinet paper is the text of the letter which the Chancellor of the Exchequer proposes to address to all Members of Parliament about the Government's decisions; it is proposed that this should be available in the Vote Office and the Whips' Office as soon as the Written Answer is published.

Parliamentary Debates

6. Last year, following the announcement of the Government's decisions on the TSRB report, Ministers faced a difficult Debate arising on the Order necessary to maintain the Lord Chancellor's pay-lead over the Lord Chief Justice. At one point during recent discussions, the Lord Chancellor suggested that he might forgo this increase (which he personally in any event does not draw), if that would simplify the Parliamentary handling of the Government's decisions. The increases now imposed for the TSRB groups are substantially lower in percentage terms than those for the other Review Body groups, and well below those recommended by the Review Body. Careful steps are being taken to explain all the Government's decisions. As a result there should be less risk of substantial criticism than the 1986 pay increases for the Review Body groups (and particularly those covered by the TSRB) are too high. Furthermore if the Opposition are determined to mount Parliamentary criticism of the Government arising out of the decisions, they will have no difficulty in securing a Debate, whether or not an Order is laid increasing the Lord Chancellor's salary. This being so, little would be gained by avoiding the Lord Chancellor's salary Order, and the sensible course would seem to be to take an appropriate opportunity to secure the necessary Parliamentary approval (the Order requires Affirmative Resolutions).



HANDLING

7. You will probably wish to open the discussion yourself, and steer the Cabinet towards the provisional conclusions reached in discussions with certain of your colleagues. There are a few senior Ministers - the Foreign and Commonwealth Secretary, the Home Secretary and the Lord Privy Seal - who have not taken part in the discussion so far, and they may wish to express a view on the substance of the Government's decisions. The Chancellor of the Exchequer, the Chief Secretary, Treasury, the Lord Chancellor, and the Secretaries of State for Defence and Social Services may wish to record particular points within their responsibilities. The Lord President, the Chancellor of the Duchy of Lancaster, the Lord Privy Seal and the Chief Whip will wish to advise on the presentation and Parliamentary aspects.

RA

ROBERT ARMSTRONG

21 May 1986



Ref. A086/1515

PRIME MINISTER

Top Salaries Review Body Increases

I attach a short handling brief on the Review Body reports, for Cabinet tomorrow.

2. I should like to add only one point, with my "Head of Civil Service" hat on.

3. I am sure that the senior civil servants and senior officers of the armed forces covered by the TSRB will understand perfectly well the political considerations which have determined the Government's decision on the salaries of TSRB groups. Nonetheless I think that there will be resentment at the fact that they have been more harshly treated than the other Review Body groups, given that the Government agreed that last year's increases were "right" in themselves. In the Civil Service this sense of resentment may spread down to the grades immediately below the Open Structure - the Assistant Secretaries and Principals - who are looking forward to joining the Open Structure in due course. I think that it would be helpful if Ministers could be asked to do whatever they think they can to explain and justify the decision to the people affected in their Departments: some recognition by departmental Ministers that their civil servants and senior officers may be harbouring some sense of resentment would certainly do no harm.

ROBERT ARMSTRONG

21 May 1986

CONFIDENTIAL



FROM: A W KUCZYS
DATE: 21 MAY 1986

MR KEMP

cc PS/Chief Secretary
PS/Minister of State
Sir P Middleton
Mr F E R Butler
Mr Culpin
Mr Halligan
Mr Dyer
Mr Cropper
Mr Fray
Mr P Lilley MP
The Hon T Sainsbury MP
Mr Lansley (PS/Chancellor
of the Duchy)
Mr Norgrove (No 10)
Mr Maclean (Chief Whip's
Office)

REVIEW BODIES

Andrew Lansley (PS/Mr Tebbitt) rang me this afternoon to set out his understanding of what should happen tomorrow. The main points were:

- i. The Written Answer should be given at 4.00pm.
- ii. At 4.30pm, copies of the letter should be deposited in all the Whips' Offices (ie Government and Opposition Whips). (This means we will need a clean copy of the final text by 12.30pm).
- iii. Mr Sainsbury and Mr Lilley should ensure that Government backbenchers are aware of the letter. But we can probably leave it to the Opposition Whips to make Opposition MPs aware of the letter.
- iv. The CRD will also put a brief in the Government Whips' office only. I understand Judith Chaplin is in touch with Mr Halligan about this.

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v. At 5.00pm there will be a meeting of the 1922 Committee.

vi. Ministers in all Departments should get briefing from the Treasury.

vii. Mr Nicholas Scott (Northern Ireland Office) will need briefing for "Question Time".

2. Mr Culpin will also need to liaise with No.10 on press handling.

A handwritten signature in dark ink, appearing to read "AWK".

A W KUCZYS



SUBJECT
CC MASTER

SECRET



late
M 23

CCN10

10 DOWNING STREET

From the Principal Private Secretary

21 May 1986

Dear Joan,

I attach the note of the meeting held yesterday at Downing Street on the Review Body reports.

Copies of this letter and note go to the Private Secretaries of the Ministers attending the meeting as well as to Sir Robert Armstrong and Mr. Wiggins.

Wicks
Nigel Wicks

N L WICKS

Miss Joan MacNaughton,
Lord President's Office

SECRET

SECRET

REVIEW BODY REPORTS

Note of a Meeting at
10 Downing Street on
Tuesday 20 May 1986
at 12 noon.

PRESENT

Rt Hon Margaret Thatcher MP
Prime Minister.

Rt Hon Viscount Whitelaw
Lord President of the Council

Rt Hon Lord Hailsham of
St Marylebone

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

Rt Hon Sir Keith Joseph MP
Secretary of State for
Education and Science

Rt Hon Peter Walker MP
Secretary of State for Energy

Rt Hon George Younger MP
Secretary of State for Defence

Rt Hon Nicholas Edwards MP
Secretary of State for Wales

Rt Hon Norman Fowler MP
Secretary of State for
Social Services

Rt Hon Norman Tebbit MP
Chancellor of the Duchy of
Lancaster

Rt Hon Nicholas Ridley MP
Secretary of State for
Transport

Rt Hon Kenneth Baker MP
Secretary of State for the
Environment

Rt Hon Kenneth Clarke QC MP
Paymaster General

Rt Hon John MacGregor MP
Chief Secretary, Treasury

Rt Hon Malcolm Rifkind QC MP
Secretary of State for
Scotland

Rt Hon Paul Channon MP
Secretary of State for Trade
and Industry

Rt Hon John Wakeham MP
Parliamentary Secretary,
Treasury

Rt Hon Richard Luce MP
Minister of State Privy Council Office.

SECRETARIAT

Sir Robert Armstrong
Mr A J Wiggins

SECRET

The Meeting had before it minutes of 16 and 19 May from the Secretary of the Cabinet to the Prime Minister.

The PRIME MINISTER recalled that a number of the Ministers directly concerned had been considering the Government's response to the 1986 Review Body Reports. They had reached some provisional conclusions which she wished to explore with a wider group of her colleagues before taking the matter to the Cabinet. As had invariably happened in recent years, the recommendations were disappointingly high; the review bodies continued to pay more attention to comparability than to economic factors like recruitment and retention. The proposed increases were all far in excess of the current rate of inflation of 3 per cent, although inflation had been running at 5-6 per cent while the preparatory work was in progress. The provisional conclusion of the Ministers directly concerned had been that the Review Body recommendations, other than those of the Top Salaries Review Body (TSRB) should be accepted, but that their implementation should be deferred until 1 July 1986. This would have the effect of reducing the paybill increases during the current financial year for the groups concerned to just below the 6 per cent rate at which a settlement was currently being concluded with non-industrial civil servants. In the case of the groups covered by the TSRB, the increases recommended were unacceptably high, having regard to the major pay restructuring which the Government had implemented in 1985. For these groups the intention was to allow increases averaging 4.2 per cent, as against the 6.5 per cent proposed by the Review Body; implementation on 1 July would reduce the paybill cost during the current year to about 3.1 per cent. At the same time it was proposed to implement the TSRB recommendation, first made in 1985, for a system of additional discretionary increments above the normal scales for Grades 2 and 3 (Deputy and Under-Secretaries); these additional increments would be awarded to a limited proportion of the people in these grades, in order to reward exceptional service; the costs would be very modest.

In discussion there was general agreement with the approach recommended by the Ministers directly concerned. The following particular points were made:

SECRET

a. It would not be possible for the cash-limited Hospitals and Community Health Services (HCHS) to absorb the costs of implementing the Review Body recommendations on 1 July, together with those of pay settlements with other employees at the same level as the civil service, without prejudice to service to patients. The Chief Secretary, Treasury, had exceptionally offered to increase the cash limits for Health Authorities by £60 million (for the UK as a whole) in order to make it possible for services to be maintained. The Family Practitioner Services were not cash limited, and provision for them would be reviewed later in the financial year in accordance with the normal arrangements for demand-led programmes.

b. The April inflation figure had been 3 per cent, as against 4.2 per cent in March. It would be undesirable to continue to give currency to the 4.2 per cent figure, as would result from using this as the basis for pay increases for the TSRB groups. The best course on balance would be to accept a 3 per cent increase in the paybill for these groups, which would result in increases averaging 4 per cent to be paid from 1 July. The scale of proposed increases should be adjusted to reflect this relatively small change.

c. Because of the precise arrangements for determining the pensions of members of the armed forces, deferment of the increases to 1 July would result in the pensions of those retiring between 1 April and 30 June falling below those of people retiring before 31 March. This problem could be overcome by adjusting the operation of the Pensions Increase arrangements in the case of the armed forces, without breaching the principle that pensions must be related to salaries actually in payment at the time of retirement. This problem did not arise in the case of other groups.

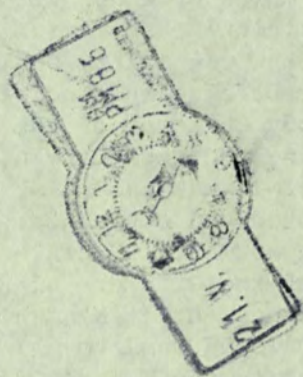
THE PRIME MINISTER, summing up the discussion, said that the Group were in general agreement with the recommendations of the Ministers directly concerned. The Review Body recommendations should all be implemented in full from 1 July 1986, except those of the TSRB where increases averaging 4 per cent should be paid from the same date, with the distribution of the increases falling that recommended by the Review Body. Arrangements should be made for the

introduction of additional discretionary increments for Grades 2 and 3 in accordance with the TSRB's 1985 proposal, if possible during the current financial year. These increments should be subject to withdrawal if the recipient's relative performance ceased to merit them, and should not be pensionable. At the same time the increments on the normal scales introduced for the first time last year should no longer be automatic for new entrants to these grades. Subject to the agreement of the Cabinet, the Review Body Reports should be published on Thursday 22 May, and the Government's response to them announced at the same time by means of a Written Answer given by herself; the increase in Health Authorities' cash limits should be included in the Answer, as well as the details of the new salary scales for the TSRB groups. The Secretaries of State for Defence and Social Services should make arrangements to inform their Review Body Chairmen of the Government's decisions immediately before the announcement, and the Secretary of the Cabinet should similarly see the Chairman of the TSRB. It was essential that the Government's decisions should be effectively presented and explained; accordingly arrangements should be made for the Departmental Ministers concerned, including the Chief Secretary, Treasury, to brief the Officers of the Back-Bench Committees immediately before the announcement. Meanwhile the text of a letter the Chancellor of the Exchequer would send to all Members of Parliament should be available in the Vote Office and the Whips' Office at the time the Answer was published.

The Group of Ministers -

1. Took note, with approval, of the prime Minister's summing up of their discussion.
2. Instructed the Secretary of the Cabinet to arrange for their agreed recommendations, both as to substance and procedure, to be put before the Cabinet at their meeting on Thursday 22 May.

SECRET



PRIME MINISTER

PAY REVIEW BODIES - PRESENTATION

This note on the presentation of the pay review body reports may be helpful in advance of your meeting tomorrow.

Assuming approval at Cabinet on Thursday, it is proposed that they should be announced as last year at 4pm on Thursday by Written Answer. I would propose to brief the Lobby at 3.45pm under strict embargo. This is OK because Lobby rules prevent anyone leaving until the briefing is over and that could not be before 4pm.

You will, however, wish to satisfy yourself that it is right not to make an oral statement; the precedents are against this.

In the absence of an oral statement, the Written Answer will be our main presentational vehicle. It therefore needs to put the Government's case in the simplest and most persuasive manner.

The issues which need meeting head on are:

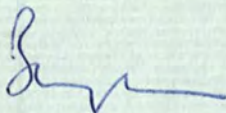
- the justice of the decisions both as between review bodies and between others outside the public service
- why, given the Government's concern about the level of pay settlements, a better example is not being given - eg why should top salaried people get 4.2% when inflation is now 3%?
- is the Government going to ask the Review Bodies to take into account the lower level of inflation when they make their next recommendations. Does the

Government expect that much lower settlements will be recommended next year - eg would it expect the TSRB to cut next year's recommendation by 1.2% (difference between 3% and 4.2%)?

- how is it that yet again review boards have given, in most cases, more to those at the top and less to those at the bottom of the salary ranges under review?
- whether the system of review bodies is to continue unchanged, and if so why no abolitions?
- what effect does the Government expect its decision on the board reports to have on wider pay bargaining.

If these questions are not dealt with explicitly or implicitly in the statement they should be covered by a Q and A brief.

You may well feel there ought to be a speaking note for the Whips Office which deals with the overall justice of the Government's decisions and clearly brings out the different treatment of those on top salaries as compared with nurses. In addition, the note should set out all the good things that the Government has done for nurses.



BERNARD INGHAM

19 May 1986

cc B/K/P
22

Ref. A086/1491

PRIME MINISTERReview Body Reports

As background to your meeting tomorrow, you may like to have:

- a. The draft letter which has been prepared for the Chancellor of the Exchequer to send to MPs.
- b. Question and Answer briefing prepared by the Treasury.

2. In the draft letter to MPs, lines 6 and 8 on page 3 are not quite correct, on the basis of the proposals discussed at your meeting last week. Strictly speaking, those sentences might read:

"Against the average increases recommended of 6.5 per cent, we have therefore awarded increases of 4.2 per cent, to be payable from 1 July: this will add about 3 per cent to the cost of the salaries of these groups in 1986-87. Of the total full-year cost of £777 million of the Government's decisions, only £3 million as accounted for by the TSRB groups."

3. I am sending copies of this minute and the annexes to all those Ministers attending your meeting tomorrow.

ReA

ROBERT ARMSTRONG

19 May 1986

CONFIDENTIAL

DRAFT LETTER FOR THE CHANCELLOR OF THE EXCHEQUER TO SEND TO
MPs

REVIEW BODY REPORTS

The Government has today announced decisions on the Reports of the Review Bodies. I attach a summary.

Our policy is to accept such reports unless there are clear and compelling reasons to the contrary.

With the exception of TSRB we have agreed to implement all the recommendations in full, but as from 1 July. These pay awards give further increases, after allowing for inflation, for these groups; for example, nurses' basic pay has already increased in real terms by a third since 1979. These further increases, averaging 8.2% for Professions Ancillary to Medicine, 7.8% for nurses, and 7.6% for doctors and dentists have to be compared with a current inflation rate of only 3 per cent.

These increases reinforce a trend of improved real earnings for these groups, as compared with the position under the last Labour administration. For example, under Labour, the salaries of hospital doctors fell by 30 per cent, after allowing for inflation; with us, they have risen by the same

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amount. It is clear, as the Prime Minister has said, that we regard the NHS staff as its principal asset. Equally, we have honoured our manifesto commitment to maintain the levels of Armed Forces pay with that of outside occupations.

Pay increases of this size will create new pressures on both the health and defence budgets. Nevertheless, we have thought it right not to reduce the recommended pay levels. Their implementation will give confidence to the public, and the professions themselves, of the value the Government places on these groups.

But the implications of these pay awards in this financial year have to be faced. Our services have to live within their budgets. Implementation from 1 April would have severely curtailed the service improvements which we are planning this year. It would have cost an extra £200 million that is simply not available. [new sentence on new money]. A balance between accepting the pay award, and the effect on the service itself had to be struck. I believe this balance is the right one.

I mentioned that we have not accepted the TSRB recommendation. This group last year received very substantial increases, which were necessary to retain and motivate the limited number of key people involved. Having

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done this, we did not judge it necessary this year to go beyond the amount necessary to preserve the standard of living of these groups, while also further improving the link between pay and performance. Against the average increases recommended of 6.5%, we have therefore awarded increases of 3% from 1 July. Of the total full-year cost of £779 million of implementation of these recommendations, only £5 million is accounted for by the TSRB.

Lower inflation has dramatically increased the real value of pay increases. High increases are no longer needed to safeguard the purchasing power of pay packets. Pay awards should now reflect what can be afforded and is also necessary to recruit and retain the right people. It would be wrong, therefore, to look at these pay awards as in any way a guide for future settlements elsewhere. These awards largely reflect past trends for other groups.

In the public services, as in private firms, we have to be conscious of what can be afforded; if we are not, services and jobs will suffer.

There will be many in your constituency with an interest in these awards. I hope that this letter will help to explain the approach which we have taken.

1986 REVIEW BODY AWARDS

GENERAL BRIEFING BY HM TREASURY

A copy of the Prime Minister's statement is at Annex 1. General questions about the Review Bodies, and about public expenditure and pay should be referred to the Treasury. Detailed questions about the AFPRB report and armed forces officers covered by the TSRE should be referred to MOD; on the DDRE and NPRB report to DHSS; and on the judiciary to the Lord Chancellor's Department. The Treasury will deal with general TSRE issues and specific questions relating to the Civil Service.

1. What did the Review Bodies recommend, and what is being awarded?

<u>Review Body</u>	<u>Numbers</u>	<u>Average Percentage Increases</u>		
		<u>Recommended from</u> <u>1.4.86</u>	<u>Awarded from</u> <u>1.7.86</u>	<u>Average increase</u> <u>for '86-'87</u>
<u>Armed Forces</u>				
(up to Brigadier and equivalent)	330,000	7.46	7.46	5.6
<u>Doctors and Dentists</u>				
- In the Hospital & Community Service	53,300	7.6	7.6	5.7
- the Family Practitioner Service	48,000	7.0	7.0	5.25
<u>Nurses, Midwives, PAMs</u>				
- nurses, midwives health visitors	482,000	7.8	7.8	5.85
- professions allied to medicine	36,190	8.2	8.2	6.15
<u>TSRE</u>				
- judiciary	1,085	6.5	4.2	3.2
- senior armed forces	207	6.5	4.1	3.1
- higher civil service	659	6.5	4.1	3.1

What will the awards cost in 1986-87 and what is the saving from not implementing them in full from 1 April 1986?

<u>Review Body</u>	<u>Full Year Cost (£m) of Recommendations</u>	<u>1986-87 Cost (£m) (£m) of Awards</u>	<u>Difference</u>
Armed Forces	234	175	59
NPRB - Nurses, Midwives, Health Visitors	325	244	81
- Professions Allied to Medicine	30	22	8
DDRB	185	139	46
TSRB	5	2½	2½
TOTAL	779	582½	196½

3. How is the award to be financed?

TSRB award will be financed within running cost limits. AFPRB award will be financed out of the Defence Budget cash limit. [NPRB, DDRB to follow].

4. What does this imply for NHS service levels?

[To follow].

5. Further squeeze on already strained Defence Budget

Allowing for delayed increases in food and accommodation charges set by the AFPRB deferment saves MOD £54 million in 1986-87. Remaining cost of increases can be financed within existing Defence Budget without displacing equipment programme.

6. Recommendations should have been paid from 1 April and extra cost met from the £4½ billion Reserve

[To follow].

7. Does this mean the Reserve is in trouble?

No.

8. Why has implementation for DDRB, NPRB, AFPRB been deferred?

The recommended rates could not have been paid in full from 1 April without unacceptable implications for service levels in NHS and increasing pressures within the Defence Budget. The Government has to consider the interests of patients and wider aspects of the defence situation in judging how much can be afforded for pay increases.

9. Failure to implement reports fully is breach of faith with the groups concerned

No. All Governments, since establishment of Review Bodies, have reserved right not to implement Review Body recommendations in full if there are "clear and compelling" reasons for not doing so. Affordability is a clear and compelling reason and one that the Government, which has ultimate responsibility for public service pay, must decide upon in the light of fairness to the groups concerned but also the implications for service levels and the interests of taxpayers.

10. Review Body groups being treated less favourably than police, whose pay is tied to average earnings growth

Police pay is determined by the operation of a mechanical formula with no scope for judgement.

11. What is the point of Review Bodies if the Government does not accept their judgement?

The Government has, with the exception of the TSRB (see below) accepted the Review Bodies' judgements about the appropriate rates of pay for the groups. It has simply deferred their implementation for three months to protect service levels in the NHS and the Defence Budget. Government not the Review Bodies has ultimate responsibility for these matters and has to raise the taxes to pay them. The Review Bodies did not take sufficient account of the overall affordability position in their recommendations.

12. Does the Government consider all the Review Body awards to be excessive? In which case why didn't it implement lower increases?

The Review Bodies say that take a number of factors into account in reaching their recommendations and these are set out in the reports themselves. One of these factors is their affordability. The balance between the factors is a matter of judgement.

This year's recommendations cannot be afforded from 1 April. Government, in line with its responsibilities for services and national defence has therefore had to take action to reduce their first year cost.

13. Government hardly ever implements the reports in full. [TSRB report has never been implemented from due date, DDRB report has been staged for last 5 years, AFPRB was staged in 1984, NPRE staged last year.]

Government has to have regard to the implications for service levels and taxpayer of recommendations. This has often required staging/deferment. Previous Governments have done this also. See Annex 3 for details. Public money is limited. However, the recommended rates have nearly always been paid in full by the year end (except for TSRB) by this Government and (except for TSRB) will be in place by 1 July 1986.

14. These groups are being badly treated

Real pay of the Review Body groups has increased substantially under this Government, which has a much better record than last Labour administration (see Annex 2 for details).

15. Outrageous that nurses should have to wait 3 months for any increase

With inflation running at around 3 per cent the pay of qualified nurses will increase by 3 per cent more than inflation in 1986-87 as a whole and 5 per cent more than inflation by the year end. This is also against a background of a TPI increasing at an annual rate of 1 per cent, and on top of real pay increases to qualified nurses of nearly a third since 1979. [The TPI, Tax Price Index, measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. As well as changes in retail prices it takes account of changes to direct taxes (and employee's National Insurance contributions) facing a representative cross-section of taxpayers. It is thus a more comprehensive index than the RPI. The TPI increase is lower than the RPI increase in the 12 months to April because of the increase in personal tax allowances and reduction in the basic rate of income tax announced in the April 1986 Budget].

16. Groups with Review Bodies favoured compared with rest of the public services

No reason for treating all public service groups the same. Each has its own (and different) recruitment, retention and affordability situation. In fact Review Body groups (except TSRB) will be receiving increases within the current financial year of around 5½ per cent to 6 per cent, which is around or a little below Civil Service.

17. Implications for public service groups yet to settle eg NHS ancillaries

No automatic read-across. Each group considered in light of individual recruitment and retention situation.

18. Contrast with Civil Service 6 per cent

Review Bodies have done much better than Civil Service over last few years. And, by end of year the Review Body groups (except TSRB) will have received larger increases than Civil Service.

19. Effect on public expenditure in future years?

Matter for next public expenditure survey: wait for Autumn Statement and Public Expenditure White Paper. Government committed to sticking to overall totals for 1987-88 and 1988-89 published in last White Paper. Extra cost will need to be absorbed with that.

20. Will pay awards be backdated for pensions?

No. Rule is that pensions are based on salaries in payment. [Will AFPRB groups retiring between 1 April and 30 June get the pension increase paid to those retiring before 1 April? Ministers considering.]

21. Manifesto promise to Armed Forces broken

No. The Government's record is good. Staging in 1984 and deferment this year does not undermine the manifesto commitment. The full rates recommended by the AFPRB will be paid from 1 July.

TSRB

22. Why have the TSRB recommendations been reduced, alone of the Review Bodies

These groups received very substantial increases last year as a result of a full study of appropriate salary levels. The Government accepted these recommendations and implemented them in full from 1 March 1986. All that was needed this year was simple updating, implying an increase in line with price movements at most. TSRB

recommendations are for increases averaging $6\frac{1}{2}$ per cent, well beyond updating. Inflation running at 3 per cent. For that reason the Government thought it right to cut them back.

23. Government is picking on TSRB because they are well paid

No. Government implemented substantial increases last year for them and from 1 July is updating them.

24. Unfair to US's, who lost London Weighting last year and are now held down again

London Weighting was withdrawn in two stages on advice of TSRB. Government has reduced all TSRB rates by same percentage so the US's do better than rest of the Senior Civil Service as TSRB intended. And, introduction of additional discretionary increments will allow the best performers to receive further increases of up to £6,000 per year when fully implemented.

25. Why bother having Review Body if its advice is to be ignored

Government has to take all factors into account, including interests of taxpayer and fairness between groups. In light of last year's high awards it did not believe further increases averaging $6\frac{1}{2}$ per cent were justified.

26. Decisions distort relativities

No. Government has reduced all increases by about one-third, keeping relativities established by TSRB. Relativities between TSRB/AFPRB groups are somewhat compressed but remain manageable.

27. When will discretionary pay be introduced?

As soon as criteria for awarding it is worked out.

28. Cost of discretionary pay?

The TSRB has estimated that it will add about 3 per cent to the salary bill for G2s and G3s when fully implemented (ie about $\pounds\frac{1}{2}$ million per year). But this will take some time. Cost will depend upon date of implementation and time it takes to become fully established.

29. What are the "rigorously defined criteria" that will merit discretionary pay?

Discretionary pay will depend on performance assessed within a formal appraisal system. The details are under consideration.

30. Why are performance bonuses being withdrawn for Grade 3's?

Introduction of discretionary pay makes them unnecessary.

31. Will the money saved from withdrawing these bonuses from Grade 3's be recycled to the other grades eligible for performance bonuses?

Yes.

32. Top of US scale (with maximum discretionary pay) is about the same as the bottom of DS pay [Differential is £175 per year].

Review Body proposed that G3 discretionary maximum should be identical to G2 minimum. Government proposes a slight lead. Maximum discretionary pay will probably be rare and a G3 may earn it for sustained high performance. If he is then promoted his pay on promotion will be the same as a G3 but it will be pensionable and he will have moved to an incremental scale with further discretionary pay points.

33. Does the move to discretionary pay indicate that the Government will be moving in this direction with lower grades as well?

The Government would like to strengthen the link between pay and performance generally within the Civil Service. The performance bonus scheme is a move in this direction. The Government intends to pursue further steps in the future but has no plans at present to extend discretionary pay beyond Grades 2 and 3 at present.

34. How will discretionary pay work?

Discretionary increments for Grades 2 and 3 will have two elements. Existing increments will not be automatic for new entrants to these grades but it is expected that these increments would normally be given although a positive decision based on performance will be required before the increment is awarded. There will also be additional increments above the present scales. These will be beyond the normally

attainable maximum and will be awarded to only a limited number of people in these grades. Sustained high performance measured against demanding standards will be required to receive these.

35. If discretionary pay is extended below G3 could civil servants lose existing increments?

No proposals at present to introduce discretionary pay below Grade 3. But, expectation is that existing increments would only become discretionary for new entrants to the grade. People already on the existing incremental scales could expect to continue to receive them, after any discretion was introduced for new entrants. Any extension of discretionary pay below G3 could also mean extra incremental points above the existing scales.

36. Discretionary pay for senior military

This is not recommended by TSRB. Discretionary pay is not considered suitable for the military.

37. Why does the President of England & Wales Land Tribunal receive 11.16 per cent and members of Land Tribunals 25.1 per cent

TSRB explains that they were allocated to the wrong tier of judicial remuneration in the 1985 Report on judicial relativities and their position is now being put right. The increases are therefore of a "regrading" nature.

38. Is the TSRB going to be abolished?

Nothing is immutable but no current plans to change present arrangements. If any substantive changes to present arrangements were envisaged there would be consultation with those affected.

39. What if TSRB resign in protest at rejection of their recommendations?

No reason for expecting this. TSRB recommendations have been set aside in previous years without leading to resignations.

ANNEX 2

This annex covers the record of the Labour and Conservative Governments on the real pay increases received by the groups covered by Review Bodies. The figures reflect increases actually implemented during the periods of office of the Governments. Thus the increases under Labour are calculated by comparing the increases in pay rates that took place between February 1974 and May 1979. [Thus any increases in pay that took effect from April 1979 after backdating are excluded if they were not implemented until after the May 1979 election. Similarly any increases from April 1979 implemented before the election are included.] Similarly the increases in pay under the Conservative Government compare present rates of pay with those in payment immediately before they took office. [Thus the increases that were implemented after the 1979 election but backdated to April 1979 are included in the Government's record]. The increases in pay are deflated by the actual changes in the retail price index between February 1974 and May 1979, and May 1979 and today respectively.

This presentation means that the Labour period covers five pay rounds (1974 to 1978 inclusive). During the Conservative period seven pay rounds have taken place (1979 to 1985). Hence annual averages are also given.

ARMED FORCES PAY REVIEW BODY

History. Established 1971. Effectively suspended in 1976 and 1977 and awards restricted to pay policy norms. Reported in 1978 but April 1978 award restricted to 13 per cent; remainder to be staged. Manifesto commitment of 1979 to restore fully comparable pay levels and to keep them there. Backlog from 1978 was implemented at once. Manifesto pledge re-affirmed in 1983. Since 1979 all AFPRB recommendations have been implemented, although implementation was staged in 1984. (Annex 3 for details).

Record of Different Administrations

MOD construct an index of military salaries for AFPRB grades. The average pay increases that took place in real terms during the last Labour and present Conservative Governments were as follows:

Labour

?

Conservative

?

Thus real pay for the grades covered by AFPRB changed by x per cent per year on average under Labour and by y per cent per year under Conservatives. Even with deferment of increases this year prospects are for a further increase in 1986-87 (with falling inflation) of 2 to 2½ per cent.

The above index covers all military salaries for AFPRB grades. The tables below set out the records of the two administrations for specific grades.

Real increases in salary scales (%)

	<u>Labour</u>	<u>Conservative</u>
Private. Class 1, Band 2, Scale B (max)	38	-
Staff Sergeant. Band 6, Scale C (max)	10	5
Captain (max)	9	9
Brigadier (max)	(6)	17

The above looks impressive for Labour but it includes an increase averaging 24.2 per cent implemented just before the May 1979 election. Up to that point the record was of real falls as follows: Private (9 per cent), Staff Sergeant (15 per cent), Captain (14 per cent) and Brigadier (31 per cent).

Points to Make

- (a) Under last Government military salaries fell heavily until just before the election in real terms. Large falls for some grades, notably officers. Result: poor morale, recruitment and retention problems for Labour's period of office.
- (b) Present Government has honoured Manifesto commitments to maintain comparable salary levels for the Armed Forces with outside occupations.
- (c) Salaries have increased in real terms under present Government. Even with deferment of this year's increases salaries will increase on average by a further 2 to 2½ per cent in real terms this year.

DOCTORS AND DENTISTS REVIEW BODY

History. Established in 1971. Previous independent machinery for advising on pay (Kindersley Committee) collapsed just before June 1970 election when Labour Government tried to delay publication of the report, leading to the Committee's resignation. The DDRB's recommendations were staged in 1975 and it was effectively suspended in 1976 and 1977 when awards were limited to those allowed by pay policy norms. DDRB reported in 1978 but awards cutback to 10 per cent and remainder staged. The 1981 recommendations were abated by 3 per cent, but this was subsequently restored in 1983. The recommended rates have been paid since then although always with staging. (Annex 3 for details).

Record of different Administrations

The table below sets out the percentage increases in pay for doctors in the Hospital and Community Health Service under the last Labour and present Conservative Governments.

<u>Labour</u>	<u>Conservative</u>
(31)	30

Real pay for hospital doctors fell on average 6 per cent per year under Labour but rose by about 4 per cent per year under the Conservatives. After taking account of the deferment of the 1986 recommendations doctors pay will increase by a further 2 to 2½ per cent in 1986-87.

The above index covers only doctors in the Hospital and Community Services. The table below sets out the records of the two administrations for specific grades and also for GPs.

Real increases in salary scales (%)

	<u>Labour</u>	<u>Conservative</u>
Consultant (max)	(33)	30
House Officer (max)	(21)	21
GP	(25)	36

Points to Make

- (a) Under Labour the salaries of hospital doctors fell 30 per cent in real terms; under the Conservatives they rose by that amount.
- (b) This year decisions imply a further real increase of 2 to 2½ per cent.

NURSES PAY REVIEW BODY

History. Established in 1983 because most nurses did not take part in industrial action in the Health Service in 1982. First report in 1984 was implemented in full. 1985 report staged but recommended rates in payment from 1 February 1986. (Annex 3 for details). Prior to 1984, pay set by collective bargaining. Two major reviews: Halsbury, implemented in 1974 by Labour; Clegg, staged awards completed in 1980.

Record of different Administrations

The index below shows the percentage real increases in the index of average nursing salaries prepared by DHSS and those received by professions allied to medicine during the Labour and Conservative Governments.

	<u>Labour</u>	<u>Conservative</u>
Nurses	13½	26 (a)
PAMs	12	18

(a) Treats hours reduction in 1981 as pay rise

The real increase in pay during the Labour Administration reflects the implementation of the 1974 Halsbury Committee report which recommended increases of 40 per cent. However, from then on in its period of office real pay for nurses and PAMs fell.

The above is an index of all nursing salaries. The position varies from grade to grade. The table below sets out the records of the two administrations for specific grades.

Real increases in salary scales (%)

	<u>Labour</u>	<u>Conservative</u>
Ward Sister (max)	4	32
Staff Nurse (max)	9	25
Nursing Auxiliary (max)	6	18

The pattern of increases above reflects the policy of improving the relative pay of qualified staff, implemented by this Government.

Points to Make

- (i) Under Labour nurses pay rose after implementation of Halsbury award but then fell in real terms. Labour were forced to set up another review - Clegg - to deal with this and this Government honoured it.
- (ii) Real pay of nurses under the Conservatives has risen by 26 per cent. Pay for qualified nurses by even more.
- (iii) Government gave the nurses and pams a Review Body in 1983 and has implemented the recommended rates, although staging was necessary last year.
- (iv) Recommended rates will be in payment by 1 July. Taking account of deferment nurses will receive a real pay increase of 2 to 2½ per cent this year.

TOP SALARIES REVIEW BODY

History. Established 1971. Staged in 1974. Suspended 1975 to 1977 during incomes policy. Reported in 1977 but recommendations cutback to 10 per cent and remainder staged. 1979 recommendations staged. 1980, 1981 and 1982 recommendations reduced. Staging 1983, 1984 and 1985. (Annex 3 for details).

Records of Different Administrations

The table below sets out the relative increases in real pay rates that took place during the previous Labour and present Conservative administrations for selected grades:

Real Increases in Salary Scales

	<u>Labour</u>	<u>Conservative</u>
High Court Judge	(39)	45
Circuit Court Judge	(33)	41
Major-General	(30)	31
General	(34)	48
Under Secretary (max)	(26)	31
Permanent Secretary	(39)	45

Even with the reduction and deferment of this year's TSRB recommendations the average increase in salaries in 1986-87 is worth just over 3 per cent, which is about the present inflation figure.

Points to Make

- (a) The previous Labour Government imposed massive real reductions in the pay of the judiciary, senior military and higher Civil Service through the operation of pay policies which discriminated against the public services and (because of the flatrate element of some of them) against these groups in particular;
- (b) The position has been put right by this Government and the grades concerned have received high real increases since the Government took office;

(c) This year's increases - although lower than recommended by the TSRB - are in line with inflation and will allow them to maintain their living standards. Indeed if account is taken of the Budget tax cuts which brought the annual increase in the Tax Price Index in April down to 1.2 per cent their living standards should improve.

ANNEX 3

REVIEW BODY RECOMMENDATIONS AND AWARDS 1971-85

	<u>AFPRE</u>	<u>DDRB</u>	<u>NPRE</u>		<u>TSRB</u>	<u>judiciary</u>
			<u>nurses</u>	<u>pams</u>	<u>senior civil service & senior military</u>	
<u>1971</u>						
Recommendation	-	8%	-	-	-	-
Implemented	-	8%	-	-	-	-
<u>1972</u>						
Recommendation	10%	7.5%	-	-	6.8%	6.8%
Implemented	10%	7.5%	-	-	6.8%	6.8%
<u>1973</u>						
Recommendation (a)	6.5%	4.5%	-	-	£250 pa	£250 pa
Implemented	6.5%	4.5%	-	-	£250 pa	£250 pa
<u>1974</u>						
Recommendation (a)		6.5%	-	-	£350 pa	£350 pa
Implemented		6.5%	-	-	£350 pa	£350 pa
<u>1975</u>						
Recommendation	29.5%	30% (b)	-	-	(c)	(c)
Implemented	29.5%	15%	-	-	(c)	(c)
<u>1976</u>						
Recommendation (a)	£6 pw	£6 pw	-	-	£6 pw	£6 pw
Implemented	£6 pw	£6 pw	-	-	£6 pw	£6 pw
<u>1977</u>						
Recommendation (a)	5%	5%	-	-	5%	5%
Implemented	5%	5%	-	-	5%	5%
<u>1978</u>						
Recommendation	32%	10%	-	-	35%	35%
Implemented	13% (d)	10%	-	-	10%	10%
<u>1979</u>						
Recommendation	32.5%	25.7%	-	-	23.2%	22.9%
Implemented	32.5% (e)	25.7% (f)	-	-	13.4% (f)	12.5% (f)

	<u>AFPRB</u>	<u>DDRB</u>	<u>NPRB</u>		<u>TSRB</u>	<u>Judiciary</u>
			<u>nurses</u>	<u>pams</u>	<u>senior civil service & senior military</u>	
<u>1980</u>						
Recommendation	16.8%	31.4%	-	-	38.2%	35.7%
Implemented	16.8%	31.4%	-	-	12.3%	12.1%
<u>1981</u>						
Recommendation	10.3%	9%	-	-	23.0%	21.1%
Implemented	10.3%	6%	-	-	7.0%	7.0%
<u>1982</u>						
Recommendation	6.1%	9%	-	-	19.4%	24.3%
Implemented	6.1%	6%	-	-	14.3%	18.6%
<u>1983</u>						
Recommendation	7.2%	9.7% (b)	-	-	11.7% (b)	11.7% (b)
Implemented	7.2%	7.7%	-	-	5.8%	5.9%
<u>1984</u>						
Recommendation	7.6% (b)	6.9% (b)	7.5%	7.8%	6.5% (b)	6.5% (b)
Implemented	4.9%	4.6%	7.5%	7.8%	4.5%	4.5%
<u>1985</u>						
Recommendation	7.3% (b)	6.3% (b)	8.6% (b)	12.1% (b)	12.2% (b)(g)	16.3% (b)
Implemented	7.3%	5.3%	5.6%	5.6%	5.1% (g)	7.1%

Notes

- (a) Review Body recommendations and awards restricted to those allowed under pay norms.
- (b) Staging reduces in-year cost. Full rates paid by year-end.
- (c) A second TSRB report in 1974 recommended increases of 28.8%. The Government implemented increases varying between 14.4% and 28.8% for individuals on 1.1.75 and announced an intention to pay the second stage on 1.1.1976. However, the second stage was not paid because of pay policy.
- (d) 10% pay policy norm plus 3% for introduction of the 'x' factor.
- (e) Labour Government implemented 24.2% increase just before May 1979 election. Incoming Conservative Government implemented a further 8.3% to restore fully comparable salaries.
- (f) Implemented by Conservative Government.
- (g) Figure is for senior civil service. Senior military recommendations were 17.6 per cent. Award was 7.3 per cent in-year.



cc Bler
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Ref. A086/1485

MR NORGROVE

Review Body Reports

Discretionary Increments for Grades 2 and 3

I attach a note by Mr Wiggins on the cost of introducing discretionary increments for Grades 2 and 3.

2. On the assumptions he makes, which I agree are reasonable assumptions, the costs would be:

	<u>Grade 2</u>		<u>Grade 3</u>	
	£	%	£	%
a. <u>1986-87</u>				
If introduced from 1.10.86:	42,000	0.7	120,000	0.7
If introduced from 1.1.87:	21,000	0.35	60,000	0.35
b. <u>First full year</u>	84,000	1.5	240,000	1.5

3. If Grade 3 are excluded from the experimental performance bonus scheme, the total remuneration received by this group is likely to be broadly unchanged, with discretionary increments - if introduced in October - roughly balancing bonuses forgone.

4. If the Prime Minister wants to mention cost figures in the answer, the last sentence of the draft could be amended to read:

"The costs of this proposal would depend on detailed decisions as to the size of the eligible population and as to the rate at which discretionary increments are awarded, and (for 1986-87) on the date on which the scheme could be introduced. It is estimated that, if it were possible to



introduce the increments from 1 October 1986, the cost would be of the order of £160,000 in 1986-87 and £320,000 in the first full year. However, total remuneration of the Grade 3 group, which would account for three quarters of the expenditure, would be little changed, since they will at the same time be excluded from the experimental performance bonus scheme.

5. The Prime Minister will no doubt seek to clarify with her colleagues whether the introduction of discretionary increments is to apply only to Grade 3, or to Grades 2 and 3. I hope that the answer will be that it should apply to both: despite the difficulty of deciding who in Grade 2 should get them, I think that it would be difficult to defend to people in Grade 2 a decision to accept the Review Body recommendation for Grade 3 but not for Grade 2; and Sir Robin Ibbs's arguments for the introduction of discretionary increments at those levels apply with equal force to both grades.

ROBERT ARMSTRONG

(Approved by Sir Robert Armstrong
and signed in his absence).

19 May 1986

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SIR ROBERT ARMSTRONG

REVIEW BODY REPORTS

Mr Norgrove's minute to you of 19 May asked what the cost might be of introducing additional discretionary increments for Grades 2 and 3.

2. The answer will, of course, depend on when payment of the increments takes effect, and how many people are awarded them. The TSRB recommended that up to 25 per cent of officers in the two grades should receive them.

3. It seems reasonable to assume that initially only one increment will be awarded to the selected recipients. Then in subsequent years some proportion of the recipients might be raised to the second and eventually the third incremental points.

4. In the first full year the maximum costs would therefore be:

a. Grade 2: 25 per cent x 140 x £2,400 = £ 84,000

b. Grade 3: 25 per cent x 482 x £2,000 = £240,000

these amounts correspond to about 1.5 per cent of the paybills of the grades concerned.

5. The earliest possible date for introducing the discretionary increments would be 1 October 1986. If payments were paid from that date, the cost as a proportion of the current year's paybill would be about 0.7 per cent for the grades concerned. This figure would be halved if, as seems likely, it did not prove practicable to introduce the increments until 1 January 1987. In that event the total cost for Grade 2 during the current year would be £21,000, and for Grade 3 £60,000.

6. As a proportion of the TSRB paybill as a whole, the amounts in question for the current year would be of the order of 0.1-0.2 per cent.

7. The total paybill of the TSRB groups amounts to about £75 million a year, less than 1 per cent of the total paybill covered by review bodies of about £10 billion a year.

JW

A J WIGGINS
Economic Secretariat.
19 May 1986

20 Feb XB
COSYAT
cc Prof Griffiths



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

REVIEW BODY REPORTS

The Prime Minister was grateful for your minute of 16 May covering a draft written reply for her to answer about the Review Body recommendations this year.

This is of course to be discussed at a meeting tomorrow. The Prime Minister has, however, noted now that the draft answer gives no estimate of the cost of introducing discretionary points for Grades 2 and 3 (paragraph 8 of the draft answer). She believes that not to give a figure risks creating suspicion. She has asked if you could consider what could be done to put a figure, or a range, on the likely cost.

The Prime Minister believes that the decision taken last week was to introduce discretionary points only for Grade 3 in the first instance. This can no doubt be discussed further at the meeting tomorrow, but it would be helpful if figures could be available distinguishing between the costs of introducing discretionary points for the two grades. The Prime Minister also appears to have some doubts about the proposition that the discretionary points will not be pensionable and will be withdrawable if the recipient's relative performance ceases to merit them. She has not, however, said what her doubts are.

Finally, the Prime Minister has marked some amendments to paragraph 4 of the draft answer, from the third sentence onwards, so that it would read as follows:

"This year the Government have decided that the salaries of this group should not exceed the rate of inflation. The average increase will therefore be the increase in the Retail Price Index during the year to March 1986, about 4.2 per cent, rather than the figures of about 6.5 per cent which the Review Body recommended. The distribution of this increase will follow that recommended by the Review Body. As with the other Review Bodies, the increases will not be payable until 1 July 1986; the increase in the pay bill for 1986-87 will therefore be about 3.1 per cent."

DAVID NORGRIVE

19 May 1986

PRIME MINISTER

REVIEW BODIES

For a meeting on Tuesday.

The proposed answer (paragraph 8) would not give the cost of the discretionary increments for Civil Service grades 2 and 3.

The answer says in effect that the cost would depend on the number of people who received them. I think not to give it would look suspicious. (RTA has probably run into difficulty with the Treasury)

Agree to ask RTA to consider what could be done to put a figure, or a range, on the cost?

DN

y
leo
MT

David Norgrove

16 May 1986

JALARM

Ref. A086/1460

PRIME MINISTER

Review Body Reports

The group of Ministers which has been meeting under your chairmanship to consider how the Government should respond to the five Review Body reports which have now been received reached the following provisional conclusions at its meeting on Tuesday 13 May. It was agreed that these conclusions should be reviewed by a larger group of Ministers at a meeting on Tuesday 20 May, with a view to consideration at Cabinet on 22 May and an announcement later that day.

2. The provisional conclusions reached were:

a. The recommendations on Doctors and Dentists, Nurses and Midwives, Professions Allied to Medicine and Armed Forces should be implemented with effect from 1 July 1986.

b. The groups covered by the Top Salaries Review Body report should receive increases averaging about 4.2 per cent (the rate of inflation for the year ended March 1986), distributed in accordance with the pattern recommended by the Review Body, also with effect from 1 July 1986.

c. The Top Salaries Review Body's recommendations of last year for the introduction of a system of discretionary increments for Grades 2 and 3 in the Civil Service should now be accepted.

1 thought Grade 3 only -
for a start

(3.15% for
1986-7)



3. I was instructed to prepare a draft of a statement for you to make, by way of a Written Answer to an arranged Parliamentary Question, on Tuesday 22 May.

--- 4. I attach a draft Written Answer, which includes a schedule of salary rates for the TSRB groups, for consideration at your meeting on 20 May. I should draw the following particular points to your attention:

a. The last sentence of paragraph 3 of the draft states that the increases resulting from the Government's decision will be made from within existing public expenditure plans. This may need to be modified in the light of discussions still continuing between the Secretary of State for Social Services and the Chief Secretary, Treasury.

b. In respect of the increases for the TSRB groups, I have assumed that you would want to include the figure of 4.2 per cent, as being related to the increase in the Retail Price Index during the year to March 1986, as well as the figure of 3.1 per cent, as the increase in the pay bill for 1986-87.

c. The last sentence of paragraph 6, which says that the Government is considering separately certain points of detail in the recommendations, is a reference to issues of detail on increases of certain charges for members of the Armed Forces.

d. Paragraph 7, on discretionary increments for Grades 2 and 3, says not only that (as recommended by the Review Body) there will be discretionary increments above the normal maximum for sustained high performance, but also - and this was not recommended by the Review Body - that the "automatic" increments introduced for the first time last year on the Review Body's recommendation for these grades



will no longer be "automatic". But it also makes clear that while the criteria for awarding discretionary increments will be related to performance above the normal expectation for the grade, withholding of the "automatic" increments will be related to failure to perform up to that expectation. The inclusion of this provision for withholding "automatic" increments in the event of below average performance could give rise to a considerable row with the staff interests concerned, and perhaps more widely with the Civil Service unions, who may see this as the harbinger of a policy of making increments more discretionary in grades below the Open Structure. Since the staff interests concerned will in any case resent the discrimination against the TSRB groups, Ministers will wish to consider whether to introduce this additional idea of withholding "automatic" increments in its announcement. It may lead to a row; but the best moment to introduce a "downside" provision of this kind is the moment at which it coincides with an "upside" provision for discretionary increments above the normal maximum.

5. I am sending copies of this minute to the Ministers who have been invited to attend your meeting on Tuesday 20 May.

ROBERT ARMSTRONG

16 May 1986



SECRET

DRAFT OF 16 MAY 1986

Draft Written Reply for the Prime Minister

Review Bodies 1986

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

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

3. The Government have nevertheless decided that the increases recommended by the Review Bodies, with the exception of those recommended by the Top Salaries Review Body, should be implemented in

Amended

full; but, having regard to the sums involved for this financial year, with effect from 1 July 1986. The resulting increases in the pay bills concerned will average a little under 6 per cent in 1986-87 and the costs in 1986-87 will be met from within existing public expenditure plans.

4. The Top Salaries Review Body last year carried out a major review of the remuneration of those covered by their remit, as a result of which they recommended increases, some of them substantial, in the salaries of those concerned. The recommended salaries have been fully in effect since February 1986. This year the Government have decided that the salaries of this group should ~~keep broadly in pace with~~ ^{not exceed the rate of inflation} ~~inflation~~. The average increase will therefore be about 4.2 per cent, the increase in the Retail Price Index during the year to March 1986, rather than the figures of about 6.5 per cent which ~~would have~~ ^{ed} ~~resulted from~~ the Review Body's recommendations. The distribution of this increase will follow that recommended by the Review Body. As with the other Review Bodies, the increases will ^{not} be payable ^{until} ~~from~~ 1 July 1986; the increase in the pay bill for 1986-87 will therefore be about 3.1 per cent.



5. Details are as follows:

	<u>Recommendation</u>	<u>Average effective percentage increase</u> <u>in 1986-87</u>	<u>Estimate Cost (£m)</u>		
	<u>Average</u>	<u>Range</u>		<u>Recommended</u>	<u>1986-87</u>
Nurses	7.8	5.4-8.0	5.9	325	244
PAMs	8.2	6.5-8.0	6.1	30	22
DDRB	7.6	6.8-9.6	5.7	185	139
AFPRB	7.5	5.5-9.5	5.6	234	175
TSRB	6.5	5.3-7.3	3.1	5	2½

Full year effects for groups other than TSRB are as recommend^{ed}; for TSRB groups the full year average is 4.2 per cent and the range 3.3 per cent to 4.7 per cent.

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



7. In addition the Government have decided to accept the recommendation, first put forward by the Top Salaries Review Body last year, that there should be a system of discretionary increments above the present scales for Civil Service Grades 2 and 3 (Deputy and Under Secretaries). Additional increments beyond the normally attainable maximum salary will be awarded to a limited proportion of people in these grades, within rigorously defined criteria for sustained high performance. The ability to award discretionary increments will also provide some flexibility for other purposes.

These additional increments above the normal scale will not be pensionable and will be withdrawable if the recipient's relative performance ceases to merit them. At the same time the increments on the normal scales introduced for the first time last year will no longer be automatic for new entrants to these grades: while it is to be expected that the increments will be given unless performance is below reasonable expectation, a positive decision related to continued performance will need to be taken. There will be consultation with staff interests.

8. The proposed discretionary points now to be introduced are shown in the table below. Payments at these higher points will be introduced as soon as the detailed arrangements can be completed, and I hope within the present financial year. Once the new arrangements are in operation, Grade 3 will be excluded from the scope of the existing performance bonus scheme. The costs of this proposal would depend on detailed decisions of the size of the eligible population



and the rate at which discretionary increments are awarded. The costs of all these proposals for TSRB groups will be met within existing cash limits set.

CONQUEROR

	Salaries currently in payment £	Cash TSRB recomm- endation £	Increases Awarded £	Salaries effective from 1 July	Staff in post (note 1)	Percentage increases TSRB recomm- endations	Awarded Full- year	1986- 7
SENIOR GRADES OF THE HIGHER CIVIL SERVICE								
Head of the Civil Service (and Secretary of the Cabinet)	75,000	4,000	2,500	77,500	1	5.33	3.33	2.50
Permanent Secretary of the Treasury	70,000	4,000	2,500	72,500	1	5.71	3.57	2.68
Grade 1 (Permanent Secretary)	60,000	3,500	2,250	62,250	21	5.83	3.75	2.81
Grade 1A (Second Permanent Secretary)	55,000	3,000	2,000	57,000	14	5.45	3.64	2.73
Grade 2 (Deputy Secretary)								
- on promotion	40,000	2,500	1,600	41,600	140	6.25	4.00	3.00
- after 1 years service in the grade	42,000	2,500	1,600	43,600	}	5.95	3.81	2.86
				46,000				
discretionary (note 2)				49,000				
				52,000				
Grade 3 (Under Secretary)								
- on promotion	31,000	2,250	1,425	32,425	482	7.26	4.60	3.45
- after 1 years service in the grade	32,500	2,250	1,425	33,925	}	6.92	4.38	3.29
					}			
- after 2 years service in the grade	34,000	2,250	1,425	35,425	}	6.62	4.19	3.14
				37,425				
discretionary (note 2)				39,425				
				41,425				

SENIOR OFFICERS IN THE ARMED FORCES

Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	}	75,000	4,000	2,500	77,500	1	5.33	3.33	2.50
Admiral General Admiral Chief Marshal	}	60,000	3,500	2,250	62,250	19	5.83	3.75	2.81
Vice-Admiral Lieutenant General Air Marshal	}	42,000	2,500	1,600	43,600	33	5.95	3.81	2.86
Rear Admiral Major General Air Vice-Marshal	}	34,000	2,250	1,425	35,425	154	6.62	4.19	3.14

JUDICIARY

Lord Chief Justice		75,000	4,000	2,500	77,500	1	5.33	3.33	2.50
Lords of Appeal Master of the Rolls Lord President of the Court of Session Lord Chief Justice (N.Ireland)	}	69,000	4,000	2,500	71,500	12	5.80	3.62	2.72
Lord Justice Clerk Lords Justices of Appeal Lords Justices of Appeal (N.Ireland) President of Family Division Vice-Chancellor	}	66,000	4,000	2,500	68,500	28	6.06	3.79	2.84
High Court Judges Judges of the Court of Session Puisne Judges (N.Ireland)	}	60,000	3,500	2,250	62,250	102	5.83	3.75	2.81

Members, Land Tribunals (England and
Wales, Scotland and N.Ireland) (note 3)

30,500 12,000 11,100 41,600 9

39.34 36.39 27.30

Chairmen, Industrial Tribunals (England and
Wales, Scotland and N.Ireland) }
Metropolitan Magistrates }
Provincial Stipendiary Magistrates }
Resident Magistrates (N.Ireland) }
Masters and Registrars of the Supreme Court }
Masters of the Supreme Court (N.Ireland) }
Registrar of Civil Appeals }
County Court Registrars and District }
Registrars of the High Court }
Circuit Registrars (N.Ireland) }
President, Pensions Appeal Tribunal }
Vice-Presidents, Immigration Appeal Tribunal }
Vice-President (Scotland) and Chairmen, }
Value-Added Tax Tribunals }
Chairmen, Social Security Appeal Tribunals }
and Medical Appeal Tribunals }
Special Commissioners of Income Tax }

30,500 2,250 1,425 31,925 395

7.38 4.67 3.50

NOTES

1. At latest available date
2. Proposals under consideration
3. Post rebanded for salary purposes



file
17

SECRET



10 DOWNING STREET
LONDON SW1A 2AA

16th May 1986

Dear Paul,

Further to my telephone call I am writing to confirm a publication date of 22nd May for this year's Review Body Reports. On the day I will telephone you to advise when they are to be released. No embargoed copies are to go out before you have the go ahead from this office.

With many thanks
Yours sincerely
Nicky Roche.

Miss Nicky Roche
Parliamentary Clerk

Paul Simmonds Esq
HMSO

SECRET

NR

SECRET

16



10 DOWNING STREET

From the Private Secretary

15 May 1986

Dear Stephen

REVIEW BODIES

With this letter are enclosed copies of the Review Body reports which are to be discussed at the Prime Minister's meeting on Tuesday next week. A note by the Cabinet Office will also be circulated.

I should be grateful if sight of the reports could be confined only to the relevant Private Secretaries, the Ministers directly concerned and the Permanent Secretary in each department.

I am copying this letter and enclosures to John Mogg (Department of Trade and Industry), Robert Gordon (Scottish Office), Robin Young (Department of the Environment), Colin Williams (Welsh Office), Geoff Dart (Department of Energy), Richard Allan (Department of Transport), and Jim Daniell (Northern Ireland Office).

David

(DAVID NORGROVE)

Stephen Boys Smith, Esq.,
Home Office.

SECRET

BF for meeting

PRIME MINISTER

REVIEW BODIES

An enlarged meeting to discuss the Review Body reports has been set up for next Tuesday, as you asked.

I now realise that having brought in the people mentioned at the end of the last meeting, the entire Cabinet will be there or represented except for the Foreign Secretary, the Lord Privy Seal, Mr Jopling and Lord Young (but the Paymaster General will be there).

Of those not so far invited, clearly the Lord Privy Seal ought to be there because of the parliamentary aspects. Agree?

No - no-one with over above that we

But would it not be better to invite also the Foreign Secretary, Mr Jopling and Lord Young? The result would be a quasi meeting of Cabinet, which could give final approval to the proposals, to be announced then on Thursday without the need for a discussion in Cabinet.

have invited. MB

Do you want simply to add Mr Biffen or to invite the remaining members of Cabinet as well?

DN

David Norgrove

14 May 1986

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10 DOWNING STREET

From the Private Secretary

14 May 1986

REVIEW BODY REPORTS

I enclose a copy of the note of yesterday's meeting on the Review Body Reports, prepared by the Cabinet Office.

I am copying this letter and enclosure to Richard Stoate (Lord Chancellor's Office), Rachel Lomax (H.M. Treasury), Rob Smith (Department of Education and Science), John Howe (Ministry of Defence), Tony Laurance (Department of Health and Social Security), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Jacob Franklin (Paymaster General's Office), Murdo Maclean (Parliamentary Secretary's Office, H.M. Treasury), Paul Thomas (Minister of State's Office, Privy Council Office) and Michael Stark (Cabinet Office).

(David Norgrove)

Miss Joan MacNaughton,
Lord President's Office.

SECRET

SUBJECT CC MASTER

SECRET

REVIEW BODY REPORTS

Note of a Meeting at 10 Downing Street
on Tuesday 13 May 1986 at 4.00pm

PRESENT

Rt Hon Margaret Thatcher MP
Prime Minister.

Rt Hon Viscount Whitelaw
Lord President of the Council

Rt Hon Lord Hailsham of
St Marylebone
Lord Chancellor

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

Rt Hon Sir Keith Joseph
Secretary of State for
Education & Science

Rt Hon George Younger MP
Secretary of State for
Defence

Rt Hon. Norman Fowler MP
Secretary of State for
Social Service

Rt Hon Norman Tebbit MP
Chancellor of the Duchy of
Lancaster

Rt Hon Kenneth Clarke QC MP
Paymaster General

Rt Hon John Wakeham MP
Parliamentary Secretary,
Treasury

Rt Hon Richard Luce MP
Minister of State
Privy Council Office

SECRETARIAT

Sir Robert Armstrong
Mr A J Wiggins

The Meeting had before it Minutes of 12 May to the Prime Minister from the Chancellor of the Exchequer and the Secretary of the Cabinet.

THE CHANCELLOR OF THE EXCHEQUER said that the pay increases proposed by the Review Bodies were unacceptably high from the standpoint both of the control of public expenditure and of the Government's stance towards pay. In addition the political problems created last year by the pay restructuring for the groups covered by the Top Salaries Review Body (TSRB) had been such that it would be

necessary to treat these groups markedly less generously than the other groups covered by review bodies. He proposed two alternative packages which would reduce the costs of the Review Body recommendations, and would give appropriate signals about the Government's attitude towards pay. The first approach would be to defer implementation of the Review Body recommendations until 1 July; this would reduce the overall increases within the current financial year to 5.85 per cent for nurses, 6.15 per cent for the professions allied to medicine, 5.7 per cent for doctors and dentists, and 5.6 per cent for the armed forces. In the case of the Top Salaries groups his proposal was that the average increases should be held to the increase in the Retail Prices Index during the financial year 1985/86 i.e. 4.2 per cent; deferment of the increases in the same way as the other groups would reduce the overall cost in the current financial year to 3.15 per cent. His alternative approach was to give 4 per cent to all groups on 1 April, and pay the remainder of the recommendations for the nurses and professions allied to medicine on 1 September, and for doctors and dentists and the armed forces on 1 October; there would be no further increases for the TSRB groups. He attached great importance to absorbing all the increases within the current year's cash and running costs limits, although he reluctantly accepted that it might be necessary to make some small exception for nurses.

In discussion the following main points were made;

- a. Payment of the awards in full to health service employees on 1 July would cost £72 million more than the English hospital service had available within the current year's cash limit; the short fall for Great Britain as a whole was expected to be about £88 million. The increase in cash terms for the hospital service between 1985/86 and the current financial year had to absorb a carry forward of 1.2 per cent from the 1985 Review Body recommendations, and provide for a 1 per cent increase in the number of old people, as well as meet all the pay and price increases with which the service would be faced. The Department of Health and Social Security would be obliged to debate half the £150 million available from the cost improvement programme, which it had been intended to use for service development, to meeting the costs of pay settlements with the non-review body groups; further reductions in planned service provision would present great difficulties. On the other hand, the health service should derive some benefit from the faster than expected reduction in

inflation. Great efforts would need to be made to absorb the knock-on costs in 1987/88 within the existing public expenditure provision; the Health Authorities would not yet have committed themselves to arrangements which made savings impossible.

b. It was appropriate to give the TSRB groups substantially less than the Review Body had recommended. One approach would be to give no increases to the most senior grades, who had been the major beneficiaries in 1986. But it seemed better on balance to provide for increases on the same pattern as those recommended by the TSRB, i.e. with the smallest increases for the most senior people, while scaling down the overall size of the increases. At the same time there was a case for implementing the 1985 proposal to introduce a system of additional discretionary increments for Grades 2 and 3. This would represent a very desirable extension of the principle of performance-related pay, and provide a precedent for its subsequent extension much more widely. The cost, which would in any event be very modest, would depend on the precise arrangements made, and much of it would be offset if Grade 3 were withdrawn from eligibility for merit bonuses under the scheme currently in operation.

c. The Review Body rewards, which were for the most part broadly in line with the increase in average earnings throughout the economy, were far above the rate of inflation, and were well above the settlements made or in prospect with a number of other groups in the public sector, notably the non-industrial civil service. This reflected the review bodies' attachment to the principle of comparability rather than market factors as the primary influence on the pay scales recommended. But the Government could not easily seek to constrain in advance the recommendations of the review bodies, who would see this as calling their independence into question. In the case of the armed forces the principle of comparability was explicitly recognised, and the Government were committed to maintaining it; there could be no question of withdrawing from the assurances on pay long since given to both the armed forces and the police.

d. Very great care would be needed in the presentation of the Government's decisions. That increases were not being given with effect from 1 April would be widely resented in the health service and the armed forces, although the fact that the recommendations were being accepted in full should help to damp down criticism. The message for the rest of the economy would be that the Government had staged the payment of the awards in order to bring the costs more nearly into line with available finance, and to bring the increase in pay during the current financial year down to the levels in prospect for other public service groups. But for the armed forces and the medical professions, the message would be that increases of 7.5-8 per cent were being accepted. The main emphasis in the Prime Minister's Statement announcing the Government's decisions should probably be on the in-year pay bill costs of the awards, but the Department of Health and Social Security and the Ministry of Defence, in promulgating the awards would need to make clear the size of the full-year increases awarded to individuals. Full briefing should be prepared in advance to be given to the Government's supporters in Parliament; this might conveniently take the form of a letter from the Chancellor of the Exchequer.

THE PRIME MINISTER, summing up the discussion, said that the Group were generally agreed on the implementation of the Review Body recommendations in full on 1 July 1986. The TSRB groups should receive increases averaging 4.2 per cent on the same date; this should be achieved by giving to each grade about 65 per cent of the increase recommended by the Review Body. At the same time a system of additional discretionary increments - range pay - as recommended by the Review Body in 1985 should be introduced for grades 2 and 3. There should be no increase in the current year's cash limits, with the possible exception of the Hospital Service, where the Secretary of State for Social Services should explore urgently with the Chief Secretary, Treasury how any possible call on the Reserve could be minimised, if not entirely avoided. The presumption should be that the cost of the awards in 1987/88 would be absorbed within existing provision, although attention would need to be given to the political difficulties this might cause. The Chancellor of the Duchy of Lancaster should be associated with the preparation of careful briefing on the Government's decisions, so that the Government's supporters would be in a position to present those decisions in the most satisfactory way. A number of other Ministers - notably those with territorial responsibilities - would need

to be brought into the discussions before the matter was taken to Cabinet: she would therefore arrange for a further meeting of the present Group, suitably expanded, on Tuesday 20 May, prior to a Cabinet discussion on Thursday 22 May. Detailed proposals for the TSRB groups and a draft of the Written Answer announcing the Government's decisions should be circulated before the week-end.

The Group -

- i. Took note, with approval, of the Prime Minister's summing up of their discussion.
- ii. Invited the Chancellor of the Exchequer, in consultation with the Chancellor of the Duchy of Lancaster, to arrange for the production of suitable briefing to accompany the Government's announcement.
- iii. Invited the Secretary of State for Social Services to discuss with the Chief Secretary, Treasury how the cost of the awards to the medical professions during the current year could best be met.
- iv. Instructed the Secretary of the Cabinet to arrange for circulation of a draft Statement announcing the Government's decisions, including the detailed arrangements for the TSRB groups, to be circulated before 16 May.

14.V.

PRIME MINISTER

TSRB

I accused the Treasury of sharp practice over the figures in the Chancellor's table showing review body increases under his two packages.

They told me that in their minds the 4.2 per cent increase for the TSRB under the Chancellor's package A was designed to start on 1 April! The table was therefore consistent on this basis.

Worth bearing in mind if the Chancellor objects to the cost of range pay.

Peter Kemp is, by the way, delighted with the outcome.

~~CONFIDENTIAL~~

D&N

Does no harm to let
the Treasury know we have
caught them out.

(DAVID NORGROVE)

13 May 1986

SRWADI

DISCRETIONARY/RANGE PAY FOR GRADES 2 & 3

TSRB Proposal

Up to 25 per cent of Grades 2 and 3 should have discretionary, withdrawable, increments above the normal pay ceiling. The TSRB said they would add about 3 per cent (or £750,000) to the relevant paybill. The first increments (£2500 for Grade 2 and £2000 for Grade 3) amount to 5.9 per cent increases for the recipients; giving such increments to one in four of these grades would thus cost about 1.5 per cent on the paybill in 1986/87 (assuming the increments were in the force for the whole year).

The TSRB emphasised in their letter submitted their 1986 Report that their proposals for discretionary increments were an integral part of the 1985 recommendations, all the rest of which were implemented by the Government. To that extent, therefore, Grades 2 and 3 have been disadvantaged relative to Grade 1. This year's recommendations repeat the discretionary increment proposals, in addition to increases of 6.0 per cent for Grade 2 and 6.6 per cent for Grade 3. There must be some risk that if the Government reject this recommendation, the TSRB will instead propose larger general increases for these grades in some future report.

Other views

Sir Robin Ibbs (a member of the TSRB) strongly favours discretionary increments on managerial and efficiency grounds (his minute to the Prime Minister of 4 April). The Chancellor of the Exchequer (minute of 8 April) is strongly opposed to additional discretionary increments.

A possible package for Grades 2 and 3

£1250 (2.97 per cent) for Grade 2, costing	£175,000
£1000 (2.94 per cent) for Grade 3, costing	£482,000
One discretionary increment for 25 per cent of groups, costing	£327,500
Total (about 4.4 per cent)	£984,500

Questions for consideration

- a. Would the armed forces and the judiciary get the same basic increases (discretionary increments are not proposed for them), or would they get the full recommendations?

- b. Impact of any package on the groups concerned, their attitude to their work, and the attitudes of potential recruits to these groups.

Distribution of costs of TSRB recommendations

As set out in the attached note.

13.5.86

Costs of 1986 TSRB Recommendations

Higher Civil Service

Grade 1A and above	£123,500
Grade 2	£350,000
Grade 3	£1,084,500

Total £1,558,000

Armed Forces

General and above	£ 70,500
Lt. Gen, etc	£ 82,500
Maj.Gen, etc	£ 346,500

Judiciary

Lord Justices and above	£ 164,000
High Court Judges	£357,000
County Court Judges	£1,345,000
Registrars	£909,000

cc BUP

C

PRIME MINISTER

12 May 1986

REVIEW BODY RECOMMENDATIONS

The Chancellor proposes three tests which your decision must pass: PES, knock-on and politics. His packages A and B pass the first of these but fail at the second and third. Staging fools nobody - it is simply a delay in awarding 7½-8%. Politically and economically there is a case for discriminating between (a) the nurses (b) armed forces, doctors and dentists and (c) TSRB. It is important that you do not support the Review Body recommendations pro rata - as they were based entirely on the criterion of comparability.

We would therefore suggest a third package. Pay the nurses in full, cut the other groups down to the civil service level of 6% and make sure that the TSRB get less than everyone else - preferably nothing but at most no more than the cost of living 4.2%. This meets all of the Chancellor's criteria - plus moral justice!

Clearly the TSRB has to be abolished - there is no reason why their salaries cannot be dealt within the civil service as a whole or in the AFPRB (although the judiciary may still need a special approach). Tactically the best time to announce the abolition of the TSRB must be when you announce these other pay awards.

BG.

BRIAN GRIFFITHS



B
CCBG
Blup
HO.12

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

PRIME MINISTER

REVIEW BODY RECOMMENDATIONS

We are to resume consideration of the Review Body reports tomorrow. Our decisions must pass three tests. They must not increase public expenditure this year or in future years. They must not give any wrong signals on pay generally that would affect negotiations in the rest of the economy. They must be politically acceptable.

I have been thinking about a way forward that meets those criteria and, at the same time, takes account of some of the concerns expressed by colleagues on Thursday. For example, there was a general desire to be seen to treat the nurses fairly and to treat the TSRB groups less favourably than the rest. The two following packages meet these criteria.

Package A

All except TSRB get the full award from 1 July. TSRB held to March RPI (4.2 per cent).

Package B

All get four per cent from 1 April; Nurses and PAMs the balance from 1 September; Armed Forces and Doctors and Dentists the balance from 1 October. TSRB held to four per cent.

... I attach a table setting out the details. For either package I believe that we should not second-guess the

SECRET



Review Bodies' recommendations but preserve, pro rata, the structure of individual increases they recommended.

Either package would be substantially cheaper in 1986-87 than implementing all the recommendations in full from 1 April 1986 and I hope that the Health Departments would be able to afford it within existing public expenditure provision.

Obviously there are a great many possible permutations. In particular, option A (the deferment option) could have a later date for the Armed Forces and Doctors and Dentists than for the nurses and PAMs and option B (the staging option) could have a common date for the second stage.

I am copying to Willie Whitelaw, Quintin Hailsham, George Younger, Norman Fowler, Keith Joseph, Norman Tebbit, Kenneth Clarke, Richard Luce and to Sir Robert Armstrong.

Rachel Womersley

N.L.

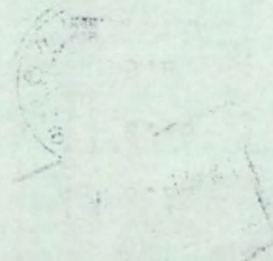
12 May 1986

*(approved by the Chancellor
& signed in his absence)*

COSTING OF ALTERNATIVE PACKAGES

<u>Review Body</u>	<u>Recommendation (%)</u>	<u>1986-87 Cost (£m)</u>	<u>(%)</u>	<u>PACKAGE A 1986-87 Cost (£m)</u>	<u>(%)</u>	<u>PACKAGE B 1986-87 Cost (£m)</u>
NURSES	7.8	325	5.85	244	6.22	259
PAMs	8.2	30	6.15	22	6.45	24
DDRB	7.6	185	5.7	139	5.8	141
		—		—		—
NHS TOTAL		540		405		424
		—		—		—
AFPRB	7.46	234	5.6	175	5.73	180
TSRB	6.5	5	4.2	3	4.0	3
		—		—		—
TOTAL		779		583		607
		—		—		—

COMMERCIAL



REVIEW BODY REPORTS

The first discussion among Ministers of the Government's response to this year's Review Body Reports made clear the particular financial difficulties the Reports present for the National Health Service (NHS).

2. The main elements in the picture are:

a. the provision for NHS pay increases in the current year's cash limits (the Family Practitioner Services (FPS) are not cash limited, but the provision so far agreed is the same) is sufficient to finance increases averaging 4.5 per cent for all NHS staff, including both those covered by review bodies and those whose pay is negotiated collectively (the Whitley groups), without prejudicing planned improvements in services. Diversion of a proportion of efficiency savings to finance higher pay, avoiding any unacceptable reductions in services, increases this figure to about 5.6 per cent.

b. In recent years the Whitley groups have had significantly smaller increases in pay than the review body groups, and have settled below the rate of inflation. Given a civil service settlement at 6 per cent, it is not very likely to be possible to secure a smaller increase this year for the Whitley groups. In addition the Health Departments have to find a further £37 million for pay restructuring arrangements for ambulancemen and NHS electricians.

c. DHSS estimate that given the position on the Whitley groups and settlements at 6 per cent for the review body groups would lead to a £77 million overspend on the cash limit for the English Hospitals and Community Health Services (HCHS), which could only be avoided through easing the funding position or severe reductions in services. Grossing this up to allow roughly for the Scotland and

Wales elements takes the overspend to about £94 million. In addition there would be a claim on the Reserve of £17 million on account of the FPS. If the awards were to be paid in full to nurses and PAMs on 1 April, while the doctors, dentists and Whitley groups received settlements costing 6 per cent within the financial year, the overspend would increase by a further £85 million.

d. To keep within the cash limits without reductions in services, DHSS calculate that they could either:

i. implement the review body awards on 9 September, or

ii. pay a first stage of 4 per cent on 1 April, and the remainder on 22 February.

e. Deferment or staging can in principle bring the cost of the awards within the finance available for 1986/87. But unless the salary levels recommended are cut back - which means in effect rejecting the recommendations - there will be serious financial problems in 1987/88.

3. The Secretary of State for Social Services will wish to advise his colleagues of the implications of the various options, including their impact on levels of service and on different groups of NHS staff and their possible reactions.

4. In the light of the NHS difficulties, it may be useful to illustrate some further measures to contain the costs of the review body awards. Only Option B (implementation from 1 September) is sufficiently stringent substantially to overcome the NHS financial problems in 1986/87; given the position on the Whitley groups, insufficient money is available for a first stage of 5 per cent for the review body groups, even if payment of the remainder were delayed to 31 March 1987 (i.e. so as effectively to eliminate the costs of the balance of the award within the current financial year). Option B could also have the effect of bringing the percentage increase in the 1986/87 paybill for the TSRB groups below the 4.2 per cent proposed by the Chancellor of the Exchequer.

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Option	<u>Nurses</u>	<u>PAMs</u>	<u>DDRB</u>	<u>NHS Total</u>	<u>AFPRB</u>	<u>TSRB</u>	<u>Total</u>
A. Defer: Implement from 1 August 1986	217	20	119	356	156	3.25	515
Implying percent- age increases for 1986/87 (averaged over the year)	5.2	5.5	5.0	5.2	5.0	4.3	-
B. Defer: Implement from 1 September 1986,	190	18	104	312	136	3	451
Implying percent- age increases for 1986/87 (averaged over the year)	4.55	4.8	4.4	4.5	4.35	3.8	-
C. Stage: 5 per cent from 1 April 1986, remainder from 1 February 1987	229	20	129	378	170	4	552
Implying percent- age increases for 1986/87 (averaged over the year)	5.5	5.5	5.4	5.45	5.4	5.2	-

Note: These figures have been derived by the Cabinet Office from the material previously circulated, and may be subject to some minor amendments when reworked in detail.

5. I am copying this minute to the other Ministers who will be attending your meeting on 13 May.

RA

ROBERT ARMSTRONG

12 May 1986

6.72
(1.22) s.s.
4.5%
150. $\frac{72}{88m}$
75



10 DOWNING STREET

From the Private Secretary

12 May 1986

You will wish to see the letter, attached,
from the General Dental Practitioners' Association,
which I have acknowledged.

I am copying this letter to Rachel Lomax
(HM Treasury) and to Michael Stark (Cabinet Office).

DAVID NORGROVE

Tony Laurence, Esq.,
Department of Health and Social Security

ls



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 May 1986

Thank you for your letter of 7 May
about the Review Bodies. I shall bring
this to the Prime Minister's attention.

DAVID NORGROVE

Michael Watson, Esq.

A small, handwritten signature in blue ink, possibly reading 'e' or 's', located in the bottom right corner of the page.

SECRET



10 DOWNING STREET

From the Principal Private Secretary

9 May 1986

I attach a note of yesterday's meeting on the Review Body Reports. I should be grateful if you, and the other offices to which I am copying this letter, could restrict the contents of the note to the strictest "need to know" basis.

I am sending a copy of this letter to the Private Secretaries to the Lord Chancellor, the Chancellor of the Exchequer, the Secretary of State for Defence, the Secretary of State for Education and Science, the Chancellor of the Duchy of Lancaster, the Paymaster General, the Chief Secretary, Treasury, the Parliamentary Secretary, Treasury, the Minister of State (Privy Council Office), the Minister for Health and Sir Robert Armstrong.

(N.L. WICKS)

Miss Joan MacNaughton,
Lord President's Office

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BM

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9



10 DOWNING STREET

From the Private Secretary

8 May 1986

Dear Joan,

REVIEW BODIES

I enclose copies of the Review Body Reports as necessary, for you and for the Ministerial Private Offices indicated below.

I should be grateful if sight of these Reports could be confined only to the Minister concerned, the Permanent Secretary in each Department, and the Private Secretary to whom the Reports are sent with this letter.

I am copying this letter to the Private Secretaries to the Secretary of State for Defence, Lord Chancellor, Chief Secretary (H.M. Treasury), Secretary of State for Social Services, Minister for the Arts, Chief Whip, Chairman, Paymaster General and the Secretary of State for Education and Science.

*Yours,
David.*

DAVID NORGROVE

Miss Joan MacNaughton,
Lord President's Office.

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2. The Prime Minister said she was disappointed with the reports. Once again they proposed pay increases for the groups concerned well above the rate of inflation, substantially higher than the Government were offering to those of its employees whose pay was collectively bargained, and apparently with little regard to market factors. For example the increase proposed for nurses, where there remained some difficulties of recruitment, was practically the same as that recommended for doctors and dentists, where there were signs of over-supply. Moreover the doctors and dentists report proposed larger increases for consultants, of whom there were probably too many, than for junior hospital doctors for whom promotion prospects were now poor. It was by no means clear that a common approach needed to be adopted towards all the reports. She invited the views of her colleagues.

3. The following main points were made in discussion:

a. the Government should not accept the recommendations in full from 1 April 1986 both because of the problems this would create for the control of public expenditure and because of the very undesirable signal it would give to pay negotiations elsewhere in the public sector. Generous treatment of the review body groups could have an impact in particular on the forthcoming negotiations for local authority manual workers' pay which would be the first settlement of the next pay round; there was already danger that a high settlement for this group would seriously prejudice the prospects of securing a much lower level of settlements throughout the economy consistent with the sharp fall in inflation which was now taking effect.

b. The different groups attracted differing degrees of public sympathy. Public opinion would favour acceptance of the recommendations for nurses, but would question whether other groups deserved similarly generous treatment. If a common approach were adopted, there were bound to be political difficulties to be overcome in its presentation.

c. On the other hand there were difficulties for the Government in picking and choosing between and within review body reports. The review bodies had been established to advise Ministers in a difficult area where direct negotiations with the groups concerned were inappropriate and arbitrary decisions by the Government could equally give rise to problems. Moreover unless the review bodies were abolished, they were likely to restore in subsequent years any sums abated from their recommendations, and this would add to the difficulties the Government would face in considering future reports.

d. The increases recommended for the top salary groups, some of which were very large in absolute terms, presented particular difficulties. The Government had been very heavily criticised for accepting the 1985 salary recommendations, and it would be reasonable this year to do no more than maintain the value of those salaries in real terms. On the basis of the March RPI figure, this would point to an increase of 4.2 per cent; a later announcement, based on the April figure, would point to a somewhat lower increase. There were, however, arguments for some differentiation within the TSRB groups; whereas Permanent Secretaries had received substantial increases in 1985, recently promoted Under Secretaries had received practically no increase at all, and the Under and Deputy Secretary grades had not received the benefit of the proposed system of discretionary performance-based increments. One possible approach might be to treat these groups more generously than Permanent Secretaries, (where there might perhaps be no increase at all), but insist that in future all increments for new entrants to these grades should be performance-based, rather than having some automatic increments as at present.

e. Although there might not be much of a case on recruitment and retention grounds for significant increases for senior civil servants and armed forces

officers, the position of the judiciary was different. There was particular difficulty in persuading successful barristers in middle life to accept appointment as High Court Judges, even at the enhanced rates of pay established in 1985; a number of individuals whom the Lord Chancellor had wished to appoint had either declined appointment or asked for it to be postponed. The Lord Chancellor was personally willing to forego any increase in his own salary, whatever decisions were reached about those of other members of the judiciary, if that would help with the Parliamentary presentation of the Government's decisions; it had to be remembered that this would also affect the pensions of retired Lord Chancellors.

f. The review body recommendations presented particular difficulties for the National Health Service. The hospitals service cash limit contained an allowance of 4 1/2 per cent for pay increases for both the review body and the collectively-bargained groups; in practice, given the example of the civil service, it would not be possible to settle the collectively-bargained groups at less than 6 per cent. On this basis accepting an in-year paybill cost of more than 4 1/2 per cent for the review body groups would involve a significant adverse impact on services unless the cash limit were relaxed. It was disappointing that the professional managers introduced into the hospital service were finding it very difficult to achieve efficiency savings, despite the extensive scope for such savings - the Hospital Authorities preferred ward closures, etc for which they could blame the Government, and Ministers had no effective means of obliging them to grasp the nettle.

g. Generally the review bodies seem to regard Government evidence about affordability as a threat to their independence. The Government had to make clear to them that there were limits to available funds, and the only means of doing this was to insist that cash

limits should not be increased to accommodate the recommendations. But failure to implement the recommended pay scales in full by the end of the current financial year would add to the difficulties created by the 1987 reports. These considerations pointed towards deferment or staging of the recommendations.

THE PRIME MINISTER, summing up the discussion, said that the Group were not yet ready to decide on the recommendations to be put to the Cabinet for the Government's response to the review body reports. Once decisions were reached, it was essential that their presentation should be carefully prepared. This pointed to the need for fully considered briefing to be available to the Government's supporters immediately the Government's decisions were announced. She would not, however, wish to deviate from the well established practice of making the announcement by Written Answer. The full text of all the reports should be circulated to all members of the Group, and she would arrange for them to resume their discussion on 13 May. It might be necessary to postpone the Cabinet discussion, and the subsequent announcement of the Government's decisions, until 22 May.

GENERAL DENTAL PRACTITIONERS' ASSOCIATION

Honorary Secretary, Michael Watson BDS. BSc. (Econ). LDS. RCS., 152 Maldon Road, Colchester, Essex. CO3 3AY
Telephone: Practice 0255 860726. Home 0206 67972.

→ DN

7th May 1986

Rg

The Prime Minister
10 Downing Street
London SW1

Dear Mrs Thatcher,

Our Association has read, with concern, press reports that, once again, the awards of the Review Bodies, including our own, will once again be phased over the year.

We appreciate that these are only reports and that Cabinet has yet to take a decision; but, if this proves to be the case, it will be the sixth year in succession where dentists have suffered in this way.

As dentists, we are doubly vulnerable. Unlike other workers covered by Review Bodies, we are not on a salary, so a staged award lowers our average fee for the year. It is from this lower base that the next year's award is made. This is in addition to a cumulative figure of over 10% as a direct result of Government intervention.

If professions are to retain any confidence in the Review Body system it must retain some independence, a quality singularly lacking of late.

We ask you this year to honour in full the award by the Doctors' & Dentists' Review Body.

Yours sincerely

MICHAEL WATSON
HONORARY SECRETARY
GENERAL DENTAL PRACTITIONERS' ASSOCIATION

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PRIME MINISTER

REVIEW BODIES

A point on the timetable for publication.

There seem to be three possibilities:

- next Thursday, 15 May;
- Thursday 22 May, which is the day before the House rises for the Whitsun Recess;
- Thursday 5 June, which is the first Thursday after the House returns.

You will want to consider at the meeting, at an appropriate moment, whether publication the day before the start of the Recess would be acceptable. It would seem inadvisable if the decisions are likely to be controversial.

5 June is getting rather late, so 15 May would be much the best date. But the printers need if at all possible five working days to complete printing of the reports. Ideally a decision should be taken tomorrow on whether publication will take place on Thursday 15 May. If it is not, orderly publication on 15 May could still be possible, but cannot be guaranteed.

DW

(David Norgrove)

7 May 1986

DCABEL

✓CBW
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PRIME MINISTER

7 May 1986

PAY REVIEW BODY REPORTS

The recommended average pay increases are between 7.5% and 8%, with the total bill being approximately £700m+.

	%	£m*
Top Salaries	6.50	-
Nurses	7.80	<u>280</u>
Professions allied to Staff Medicine	8.20	30
Doctors & Dentists	7.69	160
Armed Services	<u>7.46</u>	<u>220</u>
	7.5-8.0%	+£700m

(* Rounded figures)

Comparability under Question

The basis of the recommendations continues to be comparability. Before accepting their conclusions, you need to answer three questions:

1. Have they taken into account the recent rapid fall in inflation following the oil price fall?

The answer must almost certainly be no, as the Reports were completed when the oil price was still falling. This suggests that the expected cost of living adjustment which has been included in all the Reports is slightly too high - by 1% or 1½%.

2. Are low salaries and wages affecting recruitment and retention of staff?

Again, the answer is no, with the exception of nurses. For example:

Dentists

"The Health Departments . . . considered that the projections on manpower made by the Dental Manpower Study Group were likely to be met if not exceeded."

(Chapter 6, paragraph 81)

General Medical Practitioners

"The Health Departments . . . saw no significant problems as to the supply of General Medical Practitioners. On the basis of the evidence we have received, we conclude that at present an adequate supply of suitably qualified doctors is being attracted into general practice."

(Chapter 5, paragraph 67)

Doctors and Dentists

"The Health Departments told us that recruitment and retention of doctors and dentists continued to be very satisfactory. In their view there was no evidence that pay levels inhibited the ability of authorities to recruit and retain staff or the willingness of practitioners to provide general medical and dental services. They believed that considerable weight should be given to this factor."

(Chapter 2, paragraph 18)

Nurses

But for nurses the position is different:

"We may . . . be moving to a situation where demand will outstrip supply. . . We do not believe there is any place for complacency."

(Page 21, para.48)

". . . the prospect of a future shortage of nurses, both qualified and in training, is a most serious matter."

(Committee of Public Accounts, Feb.1986, para.22)

On the basis of market conditions rather than comparability, this suggests that we should not treat all Reports in a broadly similar way - nurses seem far more deserving of the recommended increase than others.

3. In view of a likely 6% settlement for civil servants, what knock-on effect will follow from acceptance of the Review Board Reports?

This is the element of comparability which the Reports and even Robert Armstrong's paper have conveniently left out. Any announcement of higher rises for these special groups before the rest of the civil service is signed, sealed and settled will make that settlement very much harder to achieve.

Conclusion

1. Do not treat the Reports in a broadly similar way: there is a real prospect of shortages in the nursing profession, whereas there is not among doctors, dentists, armed forces and top civil servants.

2. Knock 1½% off all Reviews except nurses, because of the oil price fall and lower inflation. This would reduce the Doctors and Armed Forces to 6% (as for civil servants) and top salaries to 5%.

3. The suggestion that top salaries should rise by 6.5% - more than most civil servants will receive - following on from last year's award is a disgrace. A 5% award reverses the position (although it might be better to give them nothing). But then, at the time of the announcement, also go on and abolish the TSRB and initiate a review of the Armed Forces Review Board as a warning to other Review Boards. There is no reason why top civil servants should be treated any differently from others.

4. The Armed Forces pay increase can be absorbed from the current defence budget but only by shifting funds from equipment to people. The Health Authorities are more tricky. I attach a very clear note from the DHSS (Annex A).

They predict a shortfall of £130m which can be financed partly through lower inflation and partly through reducing the NHS employers' superannuation contribution which has already been

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- 5 -

proposed by the Government Actuary's Department. This means
that the DHSS would not raid the Reserve nor cut services in
the first quarter of next year.

Brian Griffiths

BRIAN GRIFFITHS

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1. HEALTH AUTHORITIES' PAY*

For 1986-87 HCHS received an increase of £650m (6.7 per cent) in their allocations on the basis of

- 4.5 per cent forecast general inflation
- 1 per cent for the costs of the growing numbers of elderly
- 1.2 per cent for the cost of the 1985 Review Body awards.

In addition Health Authorities plan £150m (1.5 per cent) of cash-releasing Cost Improvement Programmes. From within the total additional resources (£800m or 8.2 per cent) they were expected to meet all pay and price increases, to cope with the increased numbers of elderly and achieve (minimum politically defensible) specific service priorities (such as more hip replacements, kidney treatments, heart surgery and coping with AIDS).

2. The table below shows our present assessment of the demands upon the £800m.

(Actual)	Cost of the 1985 Review Body Awards (which were staged)	m 120
(But see 4.2)	Cost of inflation at 4.5 per cent for goods and services other than pay	115
(Speculative)	Cost of 1986 Review Body Awards at 7.5 per cent	350
(Highly probable)	Ancillaries at 6 per cent	55
(Probable)	Other NHS Staff at 6 per cent	95
(Actual)	Cost (already incurred) from ambulance men's 1985 award	10
(Actual)	Similar overhang from maintenance award	<u>10</u>
	Total pay and prices	755
	Demography (1 per cent extra needed for same level of service)	100
	Services	<u>75</u>
	Total Requirement	<u>930</u>
	Shortfall	130

3. The figure of £75m for services is consciously half the cash released through Cost Improvement Programmes, on the basis that it is wrong in principle (and would cause a row) to pre-empt more than half for pay. Declared service priorities require at least £75m.

4. At this stage our preferred route for meeting the shortfall is:-

1. Reduce NHS employers' superannuation contribution by 2 per cent saving £100m a year (£80m if not implemented till June). The Fund (notional) is in surplus and the GAD has recommended the reduction in contributions. Treasury seem now to accept that this has to happen, but want to reduce the cash limit by the full amount.

2. NHS (in addition to £75m already identified from Cost Improvement) to fund the balance from the expected savings through lower inflation. General inflation (GDP deflator) is now forecast to rise only 3 3/4 per cent, saving the NHS £20m. Our first tentative calculations of their specific costs suggest substantially greater savings - perhaps £50m.

Together these two items would meet the shortfall and avoid cutting too deeply into provision for services. They would leave no slack in the system, but would of course entail Treasury the giving up the £100m reduction in the cash limit.

* This note only covers hospitals.

If we cannot achieve that outcome, the alternatives are:-

1. Abating Review Body awards, but the abatement would have to be very substantial to dent the shortfall. Cutting the 1986-87 cost by 1 per cent to 6½ per cent would save only £47m. The nurses in particular are already mounting a campaign against any abatement.
2. Hold out for lower settlements in Whitley for other groups. But a 1 per cent reduction to 5 per cent would save only £25m and would probably provoke a strike. For ancillaries we already accept that 6 per cent is the lowest possible settlement figure. A higher figure for the Civil Service than 6.0 per cent will make any settlement harder to achieve.
3. An increase in the cash limit, financed from the Reserve. Treasury are naturally hostile. Politically the superannuation route at 4.2 is more attractive.
4. A greater contribution from health authorities. There are already serious complaints about levels of service and cuts. To pre-empt a higher proportion of Cost Improvement savings would have a damaging effect on morale and undermine our changes of continuing the programme in later years. Closures and higher waiting lists would be inevitable.

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PRIME MINISTER


Pay Review Body Reports 1986

You are meeting the Ministers primarily concerned, to consider the Government's response to this year's review body reports, on Thursday 8 May 1986. The paper attached to my minute to you of 7 May 1986, which is being copied to all the other participants in the discussion, summarises the recommendations in each case and sets out some options available to Ministers in responding to them.

Questions to be settled

2. The Government needs to reach a view on

- (i) whether the Government should adopt a common approach to all the groups covered by the reports;
- (ii) whether the recommended salary awards should be accepted;
- (iii) whether the awards should be paid in full on 1 April 1986, or their implementation should be deferred or staged;
- (iv) how the money is to be found;
- (v) arrangements for discussion of the issues by the Cabinet;
- (vi) the timing and content of any announcements.


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It may be helpful to tackle these questions in the order listed above.

A common approach

3. The paybill effects of the 1985 recommendations varied between 6.3 per cent for doctors and dentists and approaching 15 per cent for the top salaries group taken as a whole. Because these widely differing recommendations, which for the most part incorporated substantial elements of pay restructuring, had widely differing implications for the services concerned, the Government adopted different approaches to the armed forces, doctors and dentists, the other medical professions and the top salaries group. This year the paybill increases range from 6.5 per cent in the case of the top salaries groups to just over 8 per cent in the case of the professions allied to medicine (PAMs), with increases of about 7.5 per cent being recommended for the large majority of those concerned. It would thus be much more difficult than last year to explain and justify sharply different treatment for the different groups, given that broadly comparable percentage increases are proposed in each case.

4. The possible exception is the top salaries group, where the Government faced heavy criticism last year for accepting the large increases proposed for the most senior members of the judiciary, civil service and the armed forces. The Chancellor of the Exchequer suggested last autumn that the TSRB should be abolished, leaving the armed forces review body to make recommendations about the pay of the most senior officers, senior civil servants' pay to be settled alongside that of the rest of the civil service, and a new review body to be established to advise on judicial salaries, with the main criterion being whether enough people of the right calibre were willing to accept appointment to the bench. It subsequently emerged that the TSRB were unlikely to make recommendations this year far out of line with what was happening elsewhere in the economy, and officials were therefore asked to



consider, in a longer timescale, possible changes in the TSRB's remit which would emphasise the importance of market factors rather than comparability in determining appropriate pay levels.

5. It would be for the Chancellor of the Exchequer to report in due course on the future of the TSRB. Meanwhile he has suggested that, while the other groups might be treated similarly, the TSRB recommendations should be rejected and the individuals concerned given instead a flat percentage increase broadly in line with expected inflation over the current financial year. The question for Ministers now is whether the benefit from being seen to make an example of the top salaries group would outweigh the difficulty of explaining why such an exception was justified, given the Government's acceptance and defence of the case for last year's major pay restructuring. It is relevant that the distribution of the TSRB's recommendations this year is deliberately skewed to give larger proportionate increases to Grades 2 and 3 (Deputy and Under Secretaries) than to Grade 1 (Permanent Secretaries): Grades 2 and 3 received much more modest increases last year than Permanent Secretaries and High Court Judges (recently promoted Under Secretaries received practically no increase at all), have not had the benefit of the system of performance-related discretionary increments proposed for them last year by the TSRB.

6. I have no doubt that, if the Government decides to abate, stage or defer the Review Bodies' recommendations on the basis of a common approach, the senior civil servants, service officers and judges whose salaries are covered by the TSRB would readily accept that the same approach should apply to them. I think that they would find it hard to understand why a more restrictive approach should be applied to them than to the groups covered by the other Review Bodies: though the figures were high last year, they were (like those for the nurses) part of a restructuring which the Government accepted. Whatever the

political expediency of discriminating against them, it is not clear what objective arguments could be used to justify doing so.

7. If nonetheless you and your colleagues think it necessary to apply more restrictive treatment to the TSRB groups than to the others, I hope that you will consider an alternative approach to the overall abatement suggested by the Chancellor of the Exchequer. That could be to apply the same approach as is applied to other Review Body groups to Grades 2 and 3 in the Civil Service, and to their service and judicial counterparts (Lieutenant General and below, and Circuit Judges) and to give no increases at all to Grade 1 and their service and judicial counterparts (General and above, and High Court Judges and above). That would in effect be to give a sharper skew to the distribution recommended by the TSRB. I do not know what the judiciary would think about this, but I have no doubt that Permanent Secretaries would prefer any discrimination against the TSRB groups to take that form rather than the form proposed by the Chancellor of the Exchequer.

Acceptability of the Awards

8. The question here is whether the proposed increases would create difficulties for Government policy and for the development of the United Kingdom economy sufficient to justify overturing the normal presumption that the Government will accept them unless there are most compelling reasons in the national interest for not doing so. If the recommendations were to be rejected (rather than staged or deferred), the alternative would be for the Government to substitute some pattern of lower increases. The paper canvasses the possibility of 6 per cent increases all round, ie broadly the same as the settlement for the bulk of the Civil Service. Accepting the recommendations (even with staging or deferment) might encourage those Health Service employees whose pay is collectively bargained to hold out for increases comparable with those proposed for nurses and

doctors; but it is questionable whether the difficulty of these negotiations would in practice be greatly increased by acceptance of the Review Body recommendations - the other NHS employees already have before them the example of the local authority manual workers' increase of over 8 per cent, while a settlement at the same level as the Civil Service would be much nearer the increase awarded to the medical professions than has been their experience in recent years.

Deferment or Staging

9. Given acceptance in principle of the Review Body's recommendations, it would still be open to the Government to mitigate their public expenditure effects during the current financial year by deferring their implementation or staging the increases. The problem here is essentially one of Health Service finance: the Ministry of Defence say that they can accommodate within their PES provision this year anything up to implementation of the AFPRB recommendations in full from 1 April 1986. The cost of meeting the DDRDB and NMRB awards in full would be about £200 million more than the Health Departments have available consistently with the achievement of their plans for service improvement (the total NHS budget is about £16.5 billion). As the paper notes, deferment of the increases to 1 July would just about get the cost within this year's cash limits, although this would mean foregoing the planned 1 per cent improvement in the Service. Staging, with a first payment of 6 per cent in line with the Civil Service settlement, would mean cuts in services or a call on the Reserve (or a construction of the two). The argument against deferment or staging is the resentment either would create among the groups affected (and also within the review bodies); deferment creates a particular inequity in the case of members of the armed forces and the judiciary retiring between 1 April 1986 and the date of implementation, since these individuals would thereby be deprived permanently of all benefit from the increases. Staging would have a comparable, but of course much smaller, effect.



Impact on Public Expenditure Programmes

10. The paper makes clear the Treasury's strong determination to prevent the Review Body recommendations from resulting in payments out of the Reserve. In the case of defence, where the proportion of total expenditure absorbed by equipment has increased substantially in recent years, the costs of the award can be found without too much difficulty by trimming expenditure on equipment. It appears that the Ministry of Defence were expecting to have to find the resources to meet a 7 per cent increase in armed forces' pay; the cost of the recommendations over and such an increase is only about £13 million. In the case of the Health Service, implementation in full on 1 April would inevitably result in cuts in services or a claim on the Reserve, and even in the case of staging Ministers would face this difficult choice to some degree, unless the first stage from 1 April was something less than 6 per cent. The proposed increases for senior civil servants and military officers present no particular financial problems, but there is a difficulty in the case of judicial salaries where the Lord Chancellor's Department apparently have no flexibility to transfer funds to meet the excess costs of about £½ million in 1986-87.

Discussion by the Cabinet

11. Provided that the Minister directly concerned are in agreement on a response to the Review Body recommendations, it is intended that the matter should be put before Cabinet next week (on 15 May). If, however, there are significant differences of view, it may be necessary to hold a further informal meeting in advance of the Cabinet discussion. But there is no advantage in postponing Cabinet consideration; the only effect would be to delay progress on other public sector pay negotiations, and there would be a risk of increasing speculation in the meanwhile about the contents of the reports: there have been leaks over the weekend, which the Treasury are

inclined to attribute to the Ministry of Defence and the Ministry of Defence are inclined to attribute to the Treasury.

Method and Timing of an Announcement

12. The normal arrangement in recent years has been for you to announce the Cabinet's decision by Written Answer on the day of the Cabinet discussion. This forestalls speculation, and limits the scope for questioning. No Parliamentary procedure is required to implement any of the decisions, except that Affirmative Resolutions are required to maintain the Lord Chancellor's £2,000 a year pay lead over the Lord Chief Justice. Last summer the need for this was used as the occasion for much criticism of the Government's decision on the TSRB recommendations. It is perhaps for consideration - particularly given that the TSRB recommendations for Permanent Secretaries, etc are the smallest of all this year's proposed increases - whether announcement by means of an oral statement might be effective in defusing criticism which would otherwise be made when the Order fixing the Lord Chancellor's salary is put before Parliament. On the other hand it would set a precedent which could be embarrassing in subsequent years.

HANDLING

11. Subject to any views of your own which you may wish to express at the beginning of the discussion, it would be appropriate to begin by inviting the Departmental Ministers primarily concerned - the Secretaries of State for Social Services and Defence and the Lord Chancellor - to indicate their positions on the Review Body Reports. The Chancellor of the Exchequer and the Chief Secretary, Treasury will then wish to make the case for excepting the TSRB Group from any common Government approach, and for action to reduce the paybill costs in the current financial year by deferment or staging. The Lord President and the Chancellor of the Duchy of Lancaster will wish to comment on the political aspects of the decision, and in particular on the acceptability of deferment or staging, and on



the consequences for the Health Service of the alternative options. The question may arise of the future of the TSRB, since rejection of that Body's recommendations might be thought to open the way to its abolition. Since no analysis of the possible options for future arrangements for determining the salaries of the groups concerned, and their implications, has yet been put before Ministers, it would seem preferable to avoid any hasty decision; this is an issue which can be tackled in a longer timescale, once the Cabinet has taken decisions on the immediate Review Body recommendations.

TAB

for ROBERT ARMSTRONG

7 May 1986

ECON. POL. TS RB PT 8.



COMPTROLLER

ST. LOUIS



SECRET

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for meeting folder
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Ref. A086/1375

PRIME MINISTER

1986 PAY REVIEW BODY REPORTS

You are to have on 8 May a first discussion with the Ministers most directly concerned of the 1986 Pay Review Body Reports and the Government's response to them.

2. The attached paper has been prepared by the Cabinet Office following a meeting I had with the relevant Permanent Secretaries. It summarises the reports and sets out a variety of options for Ministers to consider. It has been arranged provisionally for the Cabinet to consider the reports at their meeting on 15 May, on the basis of a paper I would prepare in the light of the discussion at your meeting on 8 May.

3. I am sending copies of this minute, and of the attached paper, to the Lord President of the Council, the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Defence and Social Services, the Chancellor of the Duchy of Lancaster, the Paymaster General, the Chief Secretary, Treasury and the Minister of State, Privy Council Office.

MS

for

ROBERT ARMSTRONG
Cabinet Office

7 May 1986

SECRET

PAY REVIEW BODY REPORTS 1986

Decisions are required on the five pay review body reports - armed forces, doctors and dentists, nurses, professions allied to medicine and top salaries - all of which have been received shortly after the due date of 1 April. The broad shape of the increases proposed in each report is summarised at Annex A. Annex B summarises the costs.

2. This note has been agreed with the Permanent Secretaries of the Departments concerned.

3. The main questions for Ministers to consider are:

- a. should the Government respond in a broadly similar way to all the reports, or should different policies be adopted in each case?
- b. What should be the Government's response to the proposals?
- c. Timetable for decisions and announcements.

Similar or different treatment

4. In 1985 the review bodies' reports proposed widely differing average increases for the groups concerned, with a substantial element of pay restructuring in all cases other than doctors and dentists. The Government accordingly responded differently to the individual reports; that for the armed forces was implemented in full on 1 April; doctors and dentists received their full increase on 1 June; and the other recommendations were staged in different ways. The 1986 reports contain only minor elements of salary restructuring (with somewhat higher increases proposed for hospital consultants and certain armed forces officers), and the increases and their paybill effects are in general close to the 7.5 per cent current rate of

increase in average earnings throughout the economy. But they are well above the 6 per cent settlement being accepted by non-industrial civil servants, and the Government's aim for other public service negotiations later in the round. Against this background it is suggested that on this occasion the Government should adopt a common approach to all the reports.

The options available

5. Assuming a common approach, it is suggested that the choice is between four possible courses of action (listed in declining cost order):

- a. to implement the proposals in full on the date recommended, i.e. 1 April 1986;
- b. stage the implementation of the recommendations, e.g. by giving increases of 6 per cent (the increase agreed for non-industrial civil servants) on 1 April and paying the balance in each case from, say, 1 February 1987;
- c. to abate all the recommendations to a common figure, e.g. 6 per cent (the increase to be paid to non-industrial civil servants) and implement the agreed increases from 1 April 1986;
- d. defer implementation of the proposed increases until 1 July, which would reduce the paybill cost in 1986-87 to just under 6 per cent;

The costs and the percentage increases in the paybill in 1986-87 are summarised in the attached table.

6. The Treasury has suggested that, whatever approach may be adopted for the other reports (they do not disagree that it should be a common approach), the TSRB groups should be given a lower increase. Last year, these groups had a levels survey; the principal recommendations made as a result of that survey, which gave an overall increase of about 12 per cent in the pay bill and much larger increases in salary rates at the highest levels, have now

been implemented.* The Treasury suggest that it should be sufficient this year to increase the salaries currently in payment broadly in line with inflation: this would mean abating the TSRB recommendations from 6.5 per cent to 4.2 per cent. This would still maintain adequate differentials between brigadiers and major-generals; and grades 5 and 3.

Relevant considerations

7. In reaching their decisions Ministers will need to take into account the finance available, the impact of alternative courses on the groups concerned and on the pay review bodies, and wider pay policy, political and presentational aspects. Very large sums of money are involved and the Treasury consider it to be of great importance that the cost of the awards should be accommodated without recourse to the Reserve this year and from within existing Departmental public expenditure provisions for both this and future years.

8. Payment in full on 1 April would be well received by the groups concerned and the review bodies; and although the increases are higher than we could wish, with the prospect of inflation falling below 4 per cent, they are not out of line with 'going rates' of increases in earnings elsewhere in the economy, or indeed with the figures agreed for teachers and for local authority manual workers (around 8 per cent). They would therefore seem unlikely to add significantly to the pay pressures in the trading sector of the economy. But, implementation in full, when the Civil Service unions are seen to be signing up on 6 per cent, would certainly add to the difficulties with the collectively-bargained NHS groups, and would undermine the Government's efforts to encourage local authority employers to seek moderate settlements. Above all, the problem is finance; while the defence budget could with difficulty absorb the 7.5 per cent increase proposed in the services paybill,** by reallocating funds from the equipment programme, in the case of the national health service (NHS) the increases could be met in full only by reductions in patient care or by the provision of additional

*The Government have not yet taken a decision on the recommendation in the 1985 TSRB report for discretionary performance-based increments for Civil Servants in Grades 2 and 3 (Deputy and Under Secretaries). The TSRB has this year recommended proportionately higher increases for these grades than for those in Grade 1 (Permanent Secretaries): abatement would thus bear more heavily on them, and would be seen as a second blow, coming on top of the failure so far to implement the recommendation for discretionary increments.

**Which accounts for about 18 per cent of the defence budget.

funding from the Reserve (or some combination of the two). The NHS has about 4.5 per cent available to meet higher wage costs, and up to a further 1 per cent might be found by drawing on efficiency savings at the expense of planned improvements in services. Beyond a 5.5 per cent increase in overall pay bill costs - i.e. for review body and non-review body groups together - ward closures, etc. could only be avoided by drawing on the Reserve.* Thus the NHS would in effect just about meet the cost of option d (deferment of implementation until 1 July) without reductions in patient care or calls on the Reserve: the other options would be increasingly difficult to finance. In the case of top salaries the amounts at stake are small in relation to the Government's total wages and salaries bill, and the increases are not far out of line with the allowances in Departmental running costs and the with the actual settlement being concluded with the civil service unions. But the Lord Chancellor's Department cannot absorb an increase of more than 3 per cent in judicial salaries without a claim on the Reserve.

9. Abatement would substantially reduce the financial problems, but would be widely resented by all the groups concerned, and would call in question the review body arrangements; the Government have undertaken to implement the review bodies' recommendations unless there are clear and compelling reasons for not doing so.

10. Deferment and Staging would also reduce the financial pressures in 1986-87 but - unlike abatement - not in later years. The report on doctors

* The Family Practitioner Service is not cash-limited, but demand-led, and would result in an automatic call on the Reserve.

and dentists complains strongly against the Government's repeated failure in recent years to implement its proposals in full on the due date. The Secretary of the Royal College of Nursing has argued that, following the lengthy delay imposed on nurses' receipt of the benefits of last year's pay restructuring, this year's award should as a matter of principle be implemented in full on the due date. So far as the armed forces are concerned, the Government has only once done other than implement the recommendations of the AFPRB in full: that was in 1984, when the implementation was staged.

11. Changing the recommendations, whether by deferment or staging would have a particularly sharp impact on the pensions of members of the judiciary and the armed forces (at all ranks) retiring between 1 April and the date of full implementation; this is because pensions are calculated on the basis of salaries in payment on the last day of service rather than on the average for the last twelve months of service. There would be comparable, although lesser effects on the members of the other groups. The report on doctors and dentists specifically makes this point.

1986 REVIEW BODY REPORTS: SOME OPTIONS

<u>Option</u>	<u>1986-87 Paybill (Cost (%))</u>					<u>1986-87 Paybill Cost (£m)</u>	
	<u>AFPRB</u>	<u>Nurses</u>	<u>PAMs</u>	<u>DDRB</u>	<u>TSRB</u>	<u>RB figures (which exclude ERNIC & Pensions for NHS RBs)</u>	<u>RB figures (plus allowance for ERNIC & Pensions for NHS RBs)</u>
1. Accept in full from 1 April 1986.	7.46	7.8	8.2	7.6	6.5	707	779
2. Abate to 6% from 1 April 1986.	6	6	6	6	6	554½	611½
3. Defer: Implement in full from 1 July 1986 reducing cost to about 6%.	5.6	5.85	6.15	5.7	4.9	530½	583½
4. Stage: 6% from 1 April 1986. Balance from 1 February 1987.	6.24	6.3	6.37	6.27	6.08	579½	638½

Notes

1. All options show similar treatment for all RBs. Greater differentiation would be possible.
2. Where actual recommended rates for individuals are below the option shown, the rate actually recommended would be paid. The costings of options 2 and 4 are therefore slightly overstated, but there are only a relatively very small number of rates involved and the effect is not material.

Pay Review Body Reports 1986Examples of Proposed IncreasesARMED FORCES PAY REVIEW BODY (AFPRB)

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

2. Increases for selected ranks are:

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

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

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

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

4. Increases for selected grades are:

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

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

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

6. Increases for selected grades are:

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

DOCTORS AND DENTISTS REVIEW BODY (DDRB)

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

8. Increases for selected grades are

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

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

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

10. Increases for selected grades are:

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

1986 REVIEW BODY REPORTS

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

Notes

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

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

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

COSTING OF OPTIONS

1986-87 Cost (£m)

Review Body Costings (ie excluding ERNIC/Superannuation for NHS RBs)

<u>Option</u>	<u>Nurses</u>	<u>PAMs</u>	<u>DDRB</u>	<u>NHS Total</u>	<u>AFPRB</u>	<u>TSRB</u>	<u>TOTAL</u>
1. Accept in full from 1 April 1986	281	26	161	468	234	5	707
2. Abate to 6% from 1 April 1986	216	19	127	362	188	4½	554½
3. Defer: Implement from 1 July 1986, reducing cost to about 6%.	211	20	121	352	175	3½	530½
4. Stage: 6% from 1 April 1986. Balance from 1 February 1987.	227	20	133	380	195	4½	579½

COSTING OF OPTIONS

1986-87 Cost (£m)

Review Body numbers plus an allowance for ERNIC/Superannuation for NHS RBs.

<u>Option</u>	<u>Nurses</u>	<u>PAMs</u>	<u>DDRB</u>	<u>NHS Total</u>	<u>AFPRB</u>	<u>TSRB</u>	<u>TOTAL</u>
1. Accept in full from 1 April 1986.	325	30	185	540	234	5	779
2. Abate to 6% from 1 April 1986.	251	22	146	419	188	4½	611½
3. Defer: Implement from 1 July 1986, reducing cost to about 6%.	244	22	139	405	175	3½	583½
4. Stage: 6% from 1 April 1986. Balance from 1 February 1987.	263	23	153	439	195	4½	638½



10 DOWNING STREET

30 April 1986

Dear Paul,

REVIEW BODY REPORTS

Further to our telephone conversation concerning the arrangements for the printing and distribution of the Review Body reports this year I am now able to give you the final departmental requirements.

The details are as follows:

10 Downing Street - Private Office 20 of each report
- Press Office 200 of each report

Customer Account number: 2501715

Chancellor of Exchequer's Private Office
HM Treasury 12 of each

Customer Account number: 1/730/116780

Lord Chancellor's Private Office 12 of TSRB
House of Lords

Customer Account number: 211/4703

Ministry of Defence

Secretary of State's Private Office, 35 of Armed Forces
Main Building 10 of TSRB

[PL(SPP)B, Room 8152] 71 of Armed Forces
c/o Secretary of States Private Office 25 of TSRB
Main Building

Navy, NP(P&F)1, Room 322
Archway Block South
Old Admiralty Building, SW1 900 of Armed Forces

Army, PS(10) Army, Room 1023
Empress State Building
Lillie Road, Fulham SW6 2,300 of Armed Forces

RAF, DD(PS6) RAF, Room 311
Astral House
Theobolds Road, WC1 1,900 of Armed Forces

Customer Account number: 178/501/0001

DHSS, Secretary of State's Private
Office, Alexander Fleming House,
Elephant and Castle

450 of Nurses
120 of Professions
Allied to Medicine
50 Doctors and Dentists

Customer Account number: 1/880/99/1063

Private Office
Management & Personnel Office
Government Offices,
Great George Street SW1

3 of TSRB

Customer Account number: 725/35/8110.

All of these reports should be packaged and labelled as above, and sent either to No. 10 for forwarding or direct (I will advise on which shortly), when you have received a phone call from No. 10 on the day of publication giving the go-ahead; at the same time you will be authorised to distribute the reports under embargo to the Vote Office, House of Commons; the Printed Paper Office, House of Lords; and 50 copies of each report to the Office of Manpower Economics.

I have also been asked to tell you of two further requirements for the Doctors and Dentists Review Body Report:

1215 copies should be sent to: Mr J Ford
British Medical Association
BMA House
Tavistock Square
LONDON WC1 H9JP

and 350 copies to Miss D Scarrot
British Dental Association
64 Wimpole Street
LONDON W1 8AL

These organisations should be billed directly; could you please arrange for them to receive their copies direct from HMSO as soon after publication time as possible.

Please let me know if you require any clarification or further information.

*Yours sincerely,
Nicky Roche*

Miss Nicky Roche
Parliamentary Clerk

Paul Simmonds
P3A
HMSO
51 Nine Elms Lane
LONDON SW8



3

10 DOWNING STREET

From the Private Secretary

29 April 1986

Dear John,

REVIEW BODY REPORTS

Sir Robert Armstrong is, I understand, holding a meeting later this week of Permanent Secretaries directly concerned to discuss the Review Body reports. I now enclose a copy of the reports by the TSRB and AFPRB.

I should be grateful if the reports could be seen only by your Secretary of State, Sir Clive Whitmore and yourself.

The Prime Minister intends to hold a meeting to discuss the Review Body reports after her return from the Far East.

*Yours,
David*

DAVID NORGROVE

John Howe, Esq.,
Ministry of Defence

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PC2035



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SECRET & PERSONAL

✓
MR NORGROVE

29 April 1986

PAY REVIEW BODY REPORTS.

As promised, I enclose a copy of a short summary note on the Pay Review Body reports that (in fair form) Sir Robert Armstrong will circulate to the Permanent Secretaries of the Treasury, MOD, DHSS and Lord Chancellor's Department tomorrow, in preparation for a meeting with them on Thursday.

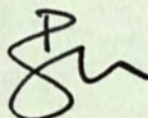
2. I hope that the outcome of the meeting will be a remit to me, with help from the Permanent Secretaries concerned, to prepare a paper for Sir Robert Armstrong to submit to the Prime Minister for a meeting with the group of Ministers already identified after her return from the Summit next week. The aim should then be a paper for Cabinet on 15 May.

3. The attached note touches only briefly on the considerations that Ministers will need to take into account. Affordability will, of course, be a major consideration and my guess is that the awards recommended will be most difficult for the NHS to bear. As I understand it, the maximum that DHSS Ministers think they can absorb without serious damage to resources is about 5.5 per cent. MOD will no doubt also argue that they would need extra resources in a budget that has now ceased to grow in real terms. I believe, however, that internally they have assumed a 7 per cent increase for all armed forces personnel, so that it ought to be possible to absorb these awards if they are accepted in full. Similarly, given the small absolute amounts involved, the

SECRET & PERSONAL

Treasury would expect the TSRB awards to be absorbed.

4. There is, of course, an infinity of possible combinations for abating or staging the awards, but we shall want to narrow these down before preparing the paper for Ministers.

A handwritten signature in black ink, appearing to be 'J B Unwin', written in a cursive style.

J B UNWIN

SECRET

PAY REVIEW BODY REPORTS 1986.

Decisions are now required on the four pay review body reports, which it ^{is proposed} seems ~~sensible to~~ handle together. Their main recommendations, for proposed implementation from 1 April 1986, are as follows:

ARMED FORCES PAY REVIEW BODY (AFPRB)

2. The AFRB estimate that the net cost of their recommendations will add 7.46 per cent (£217.4m) to the estimated 1986-87 pay bill for the regular forces ^{at current rates} ~~of £3200 million~~. Individual increases range from 5.5 - 9.5 per cent. The number affected is 330,000. The 1985 award represented a 7.3 per cent increase.

3. Increases for selected ranks are:

	Current	£	Proposed
Brigadier & equivalent	29,401		32,160
Major & "	15,443 - 18,509		16,721 - 20,049
Sergeant & "	9,088 - 10,939		9,793 - 11,7 ³ / ₉
Private & "	6,344 - 8,026		6,811 - 8,625

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

4. (a) NRB recommendations for nursing staff, midwives and health visitors.

The NRB estimate that the cost of their recommendations will add 7.8 per cent (£280.8m) to the estimated 1986 - 87 pay bill of £3,616 million (excluding employers' NIC and superannuation contributions), ^{agency staff & London weighting}.

The number affected is some 487,000.

5. Increases for selected grades are:

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

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

The NRB estimate that the cost of their recommendations will add 8.2 per cent ^{some} ~~(some £26.2m)~~ to the estimated 1986-87 pay bill of £317.7 million (excluding NIC, superannuation, etc). *contributions, agency staff & London weighting*

The number affected is some 38,000.

7. Increases for selected grades are:

	Current	£ Proposed
District I Physiotherapist etc	14,880 - 15,410	16,075 - 16,645
Basic Grade	6,200 - 7,450	6,695 - 8,045

DOCTORS & DENTISTS REVIEW BODY (DDRB)

8. The DDRB estimate that their recommendations will add 7.6 per cent (some £161 million) to the estimated 1986-87 pay bill of some ~~£2,200~~ million ^{£2,120} (excluding NIC, superannuation etc). This comprises £89 million for the Hospital & Community Health Services and £72 million for the Family Practitioner services. The total number affected is some ~~92,000~~

106,000

SECRET

9. Increases for selected grades are:

	£	
	Current	Proposed
Consultant	21,460 - 27,700	23,500 - 30,340
General medical practitioner (intended average net remuneration after practice expenses)	23,440	25,080
General dental practitioner (target average net income)	20,280	21,700
Registrar	10,760 - 13,030	11,510 - 13,950

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

10. The TSRB estimate that their recommendations will add some 6½ per cent to the 1986-87 pay bill. The numbers affected ^{are} some 660 higher civil servants of Under Secretary rank and above; 206 senior armed forces of the rank of Major General (and equivalent) and above; and 1,084 members of the judiciary.

11. Increases for selected grades are:

	£	
	Current	Proposed
Permanent Secretary/General and equivalent	60,000	63,500
Deputy Secretary (after one year's service)/Lieutenant General & equivalent	42,000	44,500
Under Secretary (after two year's service)/ Major General & equivalent	34,000	36,250



2

10 DOWNING STREET

From the Private Secretary

29 April 1986

Dear Tony,

REVIEW BODY REPORTS

I understand that Sir Robert Armstrong is holding a meeting of Permanent Secretaries directly concerned later this week to discuss the Review Body reports. I now enclose a copy of the reports on Doctors and Dentists, Nurses, and Professions Allied to Medicine.

I would be grateful if the reports could be seen only by your Secretary of State, Sir Kenneth Stowe and yourself.

The Prime Minister intends to hold a meeting to discuss the Review Body reports after her return from the Far East.

Gans,

David,

DAVID NORGROVE

Tony Laurance, Esq.,
Department of Health and Social Security



10 DOWNING STREET

From the Private Secretary

29 April 1986

Dear Edward,

TOP SALARIES REVIEW BODY

Sir Robert Armstrong is, I understand, holding a meeting later this week of Permanent Secretaries directly concerned to discuss the Review Body reports. I now enclose a copy of the Report of the TSRB.

I would be grateful if the report could be seen only by the Lord Chancellor, Sir Derek Oulton and yourself.

The Prime Minister intends to hold a meeting to discuss the Review Body reports after her return from the Far East.

I am also copying this letter to Paul Thomas (Minister of State, Privy Council Office) together with a copy of the report for Mr. Luce's use.

*Yours,
David*

DAVID NORSGROVE

Richard Stoate, Esq.,
Lord Chancellor's Office

file



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 April 1986

REVIEW BODY REPORTS

Further to your telephone conversations with this office I am writing to confirm that you may begin printing the 1986 Review Body Reports. As you are aware the Reports are to be stored under secure conditions until you are given further instructions from this office.

David Norgrove

Derek Eke Esq
HMSO

A handwritten signature in blue ink, appearing to be 'DE'.

• David

Review Body Reports

HMSO are reorganizing their shifts so they do the minimum amount of overtime.

They wish to begin printing now to meet the revised schedule. Letter attached for you to send confirming this.

Nicky 28/4.

CONFIDENTIAL



hte
[Handwritten signature]

10 DOWNING STREET

From the Private Secretary

25 April 1986

REVIEW BODIES

I now enclose copies of the five Review Body reports. Of the covering letters by the Chairmen only that by Lord Plowden is worth circulating and I enclose a copy of it.

Copies will be circulated to other departments next week when a meeting has been fixed.

DAVID NORGROVE

Mrs Rachel Lomax,
H M Treasury

CONFIDENTIAL

[Handwritten signature]

CONFIDENTIAL

File JAI/PC.



NB: NO COPY TO B.E

10 DOWNING STREET

From the Private Secretary

Sir Robert Armstrong

HANDLING OF REVIEW BODY REPORTS

The Prime Minister has seen your minute to me of 9 April about handling of the Review Body Reports.

The Prime Minister agrees that the circulation of the reports should be kept to an absolute minimum at this stage. We discussed yesterday whether the Treasury could be allowed to see the two reports so far received and agreed that they should not. I have however told Peter Kemp and Mrs. Lomax the figures for the proposed increases in the Pay Bill for the people covered by the TSRB and AFPRB.

The Prime Minister agrees that when all the reports have been received the Cabinet Office should prepare a note to be considered by a meeting of Ministers. The Prime Minister is content with the cast list for that meeting suggested in your paragraph 7. However she would wish to invite the Chief Whip in preference to the Lord Privy Seal; she would be content for the Paymaster General to be invited in place of the Secretary of State for Employment if Lord Young would prefer that; and she would like Sir Keith Joseph also to be invited.

David Norgrove

15 April 1986

CONFIDENTIAL

DM



Prime Minister

Ref. A086/1081

MR NORGROVE

Content with these proposals?
 (I shall have the senior printers prepare
 the reports for publication, but without
 actually running copies off, as they

Handling of Review Body Reports (cont'd.)

done 11/4.

Report No 23 of the Review Body on Top Salaries (TSRB) has just been delivered. - it proposes a 6 1/2% increase in the pay bill for people covered by the TSRB.

2. The other Review Bodies - Armed Forces, Doctors' and Dentists' and Nurses and Midwives, and Professions Allied to Medicine - are in the last stages of completion, and can be expected in the next two or three weeks.

3. The fact that the TSRB Report has been signed and delivered makes it unnecessary to have an early meeting on the subject of discretionary pay for Grades 2 and 3. I suggest that that meeting can now wait until after the Minister of State, Privy Council Office, returns from China. When we have that meeting, we shall have to take account of the Review Body's animadversions on the failure of Government to reach a decision and of their reiteration of their support for their recommendations last year.

4. Last year the TSRB's Report came in much later than the others and had to be dealt with separately, but the remaining reports, which came in more or less together at the end of April or early in May, were handled and dealt with together.

5. It seems to me that the sensible course would be to handle all the Review Body reports together this year. I envisage that, once they are all in, the Cabinet Office should be responsible for preparing a note setting out the various recommendations as a basis for discussion among Ministers directly interested. The conclusions and recommendations from



that meeting could then be circulated for discussion in the Cabinet. We should aim at a statement by the Prime Minister before the House rises for the Spring Bank Holiday Recess.

6. I suggest that, until all the reports are in, none of them should be circulated beyond 10 Downing Street and the Cabinet Office. The Treasury are reaching the last stages of the negotiations on Civil Service pay: I understand that the Chancellor of the Exchequer will be seeking authority to go to a final offer of an increase somewhere between 6 and 6 1/4 per cent on the pay bill, and believes that it will be possible to settle the claim on that basis. The recommendation in the TSRB Report for an increase of 6 1/2 per cent on the pay bill for the groups involved is already slightly uncomfortable in relation to that. My understanding is that the figures for the Nurses and Midwives and for the Armed Forces will be more embarrassing than that, and I dare say that the same will be true for the Doctors and Dentists as well. This argues in favour of keeping the circulation of the reports to an absolute minimum at this stage.

now received - 7 1/2 %

7 1/2 % never has it.

David [unclear]

7. When the time comes for a meeting of Ministers directly concerned, it ought to include the Prime Minister, the Lord Chancellor, the Chancellor of the Exchequer, the Secretary of State for Defence, the Secretary of State for Social Services and the Minister of State, Privy Council Office. It would probably be sensible to add to that list the Lord President, the Lord Privy Seal (or the Chief Whip), the Chancellor of the Duchy of Lancaster and the Secretary of State for Employment.

There may be a case also for including Sir Keith Joseph - for Yes no this relevance to the teachers.

for

ROBERT ARMSTRONG

9 April 1986





OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

9 April 1986

Dear Prime Minister

REVIEW BODY ON TOP SALARIES

I enclose our Ninth Report on Top Salaries. This sets out our recommendations on salary levels at 1 April 1986 for senior civil servants, senior officers in the armed forces and the judiciary.

Last year we did a fundamental review of the grades for whom we make recommendations. The government accepted for the most part the proposals on pay and ranking which we recommended for immediate implementation, subject to staging.

However, there was one basic part of our recommendations - discretionary range pay for up to 25 per cent of those in the ranks of under secretary and deputy secretary - which we said would take about a year to study and organise and should we believe come into force by 1 April 1986. This was an integral and most important part of our recommendations. In our opinion discretionary range pay is not an optional extra, but is the least expensive way of providing the remuneration that is needed for the most effective individuals in Grades 2 and 3.

We are most distressed that little progress appears to have been made with this proposal, an important tool of management adopted a generation ago by large organisations in the private sector. Better management of the civil service is something that has been advocated and accepted as a goal for many years. We recognise all the difficulties in introducing a system of this kind into any organisation, particularly one like the civil service without profits as a method of measurement and with its long tradition of collegiate organisation. But a purely collegiate organisation however admirable and however successful in the circumstances of the past will not do in the modern world however much people yearn for its retention.

In the last few years progress has been made in positively managing the civil service. But management of the civil service cannot and must not ignore methods and tools of management that have been found essential worldwide in the private sector. Of course there are difficulties but:

"Nothing will be achieved if all possible objections must be overcome first".

Yours sincerely
P. Plowden

PLOWDEN



PERSONAL

Your Ref

~~NW~~

My title to
see -

DN

29/1

E. P. KEMP

Treasury Chambers
Parliament Street
London SW1P 3AG
Tel: Direct Line 01-233
Switchboard 01-233-3000

~~DN~~

~~al~~

NW

37.1

GRADES 2 AND 3 - DISCRETIONARY PAY

Discussion note by the Treasury



In their 1985 Report the TSRB recommended the introduction of a more flexible pay system for the senior Civil Service, embodying not only annual increments for Grades 2 and 3 (about 630 people in number) which the Government has accepted, but also a limited number of additional salary points within a range for these two grades, to be used selectively at management discretion, "within rigorously defined criteria". In announcing the Government's decision on the TSRB recommendations, the Prime Minister said "We shall give further consideration to this proposal, and to the arrangements for assessment, appraisal and review, on which such a system will depend, if it is realistically and fairly to reward high performance and to take account of cases in which high performance is not sustained, and I shall make a further statement on this aspect of the review body's recommendations in due course."

2. This note discusses the way forward. It should be read alongside the note by the Cabinet Office (MPO) about appraisal arrangements for senior civil servants. It is intended as a basis for discussion, and does not necessarily reflect any final Treasury view.

Should there be any change at all?

3. The first question, is whether or not any change is necessary or desirable. It is important to keep in mind what objective the scheme is intended to serve. This is presumably to make the central government machine work better, by encouraging better performance by those in certain key grades; and making it easier to recruit and retain good people for such grades. This must be the touchstone of whether a scheme is worth considering. Account also needs to be taken of how a scheme for Grades 2 and 3 would affect the motivation of other grades, and how it might influence the form and administration of any performance-related arrangements for them.

4. The particular scheme put forward by the TSRB would have a cost both directly (on the TSRBs recommended rates and assuming their 25 per cent rule this might be about £700,000 per annum) and indirect in terms of time of senior management etc. These costs would have to come from within running costs limits and targets. They might also have a less

clearly perceived cost in that if they were seen (and they would be seen) as yet more increases for the very top of the Civil Service they could add to the strong pressures that already exist for so-called "catching-up" down the line, or at least for improved performance bonuses etc at all grades. Grades 2 and 3 have already done well,* recently, in relation to the generality of civil servants, and the TSRBs scheme for discretionary payments is estimated to cost about 3 per cent of the relevant pay bill (on top of the 11 per cent which the basic recommendations of last July cost and comparing with less than 1 per cent for the performance bonus experiment). Discretionary increments, on top of increments "as of right", for Grades 2 and 3 could introduce a principle which, if extended to the rest of the Civil Service, might be very expensive indeed.

5. Presumably the TSRB thought that the costs would be worthwhile, and it is the case that a large number of firms in the private sector and the public trading sector do have schemes for bonuses, merit increments, profit sharing, etc. But the senior Civil Service is not necessarily to be equated with such concerns. At present, assessment of performance is difficult; to a great extent it is subjective but also with a very "political" element. At Grades 2 and 3 promotion, and the prospect of promotion, is a very much stronger motivator, made even stronger by the relatively fewer promotions now available.

Possible schemes

6. For a number of reasons the sort of approach many private (and public trading) companies might take (eg individual contracts) are not appropriate so far as Grades 2 and 3 go, at least not yet. But there is still a wide variety of approaches, depending on what one is seeking to achieve and the basis on which awards are to be made. The two main "families" are range pay, with scales made up of a mixture of "as of right" and discretionary points, some or all of which have to be earned, but with a presumption that once earned they will be retained; and lump sum bonuses, sitting on top of or alongside "as of right" points, but where there is explicitly no presumption of repetition in future years.

7. So far as range pay goes, the Annex to this note sets out some possibilities. Options A and B as shown are respectively the present

*Since April 1979 Grade 2 and Grade 3 pay has gone up by 107 per cent and 103 per cent respectively, while a COs, EOs and Principals pay have gone up by 74 per cent, 77 per cent and 93 per cent respectively. It is worth remarking that under the TSRB proposal the maximum discretionary top up at Grade 3 (£6,000) is not very far short of the whole of the annual pay of a CO on the top of his scale (£6,293).

MANAGEMENT BY CONFIDENCE

position and the TSRBs recommendations as presented. Option C builds the TSRB recommendations to give more scale points and fewer discretionary points, and Option D gives fewer scale points and more discretionary points. Essentially as between the Option C pattern and the Option D pattern, choice depends on whether it is intended that the additional pay should reward experience, or performance; if it is experience then the Option C pattern is appropriate whereas if it is performance then Option D is more relevant. As presented Option B (the TSRB idea) adds about 3 per cent to the pay bill for Grades 2 and 3, while Option C adds nearly 7 per cent and Option D - if pressed a outrance - would produce a saving of about 3½ per cent, all on the basis of a 25 per cent "quota" (see paragraph 11 below).

8. The second general family - bonuses - is easier to describe, and could sit well alongside Option A. It would simply represent, an extension to Grade 2 of the performance bonus scheme which at the moment stops at Grade 3. Clearly there could be awarding problems at this level, but the general concept of the scheme as it currently applies to Grade 3 through to Grade 7 could apply to Grade 2. If the existing bonus scheme were simply extended it would cost about 1 per cent of the pay bill or an additional cost of about £60,000 per annum.

Awarding criteria and quota system

9. This is clearly of crucial importance. Whatever happens, a high degree of subjectivity is involved. That said, the approach could be more or less structured, as between a system modelled on identified and where possible quantified indicators of expected and achieved performance, and a system still linked to performance, but more loosely and impressionistically so. It would be necessary to keep open the use of discretionary points or bonuses, as may be, for purposes other than the reward of performance - eg market-related reasons such as the TSRB contemplated; indeed arguably this might be a more important use for such a scheme.

10. It will be important to ensure that poor performance can be penalised. Option D is the most extreme case, but the flavour could also be retained by non-repeatable bonuses, perhaps coupled with some conditionality about "as of right" increments.

11. The system - whether range pay or bonuses - could either be open-ended or operated on a quota basis. The TSRB propose the latter, with

MANAGEMENT IN CONFIDENCE

25 per cent of the population on discretionary points at any time. The performance bonus scheme is similarly operated on a rationed and thus competitive basis. This seems right, though 25 per cent is not necessarily the right figure. A quota system, if adopted, would of course have implications for the actual decision and awarding process, and would point towards a centralised system. (The awarding etc process is not discussed in detail in this note, though of course if there were a decision to go ahead this would be an important second order question).

Other points

12. Some other points also arise, thus :-

a. Pensionability. Whether range points or bonuses it would probably be desirable that discretionary awards should not be pensionable (indeed performance bonuses under the present experiment are not pensionable). By their nature many of the people in Grade 3 and Grade 2 who might benefit from the scheme could be at a point in their career where their pension could be very materially affected by a discretionary award (whether giving an award, not giving an award, or withdrawing an award that had already been given) with a big gearing effect on the living standards of the individual after retirement, and this could easily distort judgments. It may be necessary to amend the PCSPS to ensure non-pensionability. Discretionary awards would, however, of course be taxable and rank for ERNIC.

b. Changes in terms and conditions. Thought might have to be given to whether, under some approaches, it would be necessary to take account of existing terms and conditions of service. Specifically Option D in the table attached suggests that second and third points on the Grade 3 scale as we have them at present, and the second point on the Grade 2 scale should become discretionary, whereas at present they are in effect as of right. The extent to which making them discretionary could be said to adversely affect the potential Grade 2 and Grade 3 population is clearly very small indeed and could be said to be offset by introduction of an additional higher discretionary point. But post-Glidewell these matters need to be thought through.

c. Consultation. At the moment we recognise no Civil Service union as having any negotiating or bargaining rights within the Senior Open Structure - that is, above Grade 4. It is for consideration whether the unions should be consulted over the possible introduction of discretionary points at Grades 2 and 3, and as an extension of that, if a system is introduced, whether they should be consulted in future years over changes eg to the amounts involved, which comes near negotiating over pay rates. There would also be the question of who the negotiation would be with - clearly the FDA but possibly also the IPCS. Consultation of some kind would probably be desirable, but not so as to lead to negotiations - as long as the TSRB arrangements remained as at present.

Timing

13. If it were decided that there was a case for a move, there would be a lot to be said for not moving too fast. The reasons for this include:-

a. The need to get very clear the details of the scheme which is to be introduced, including the appraisal and awarding arrangements as well as the pay points or amounts involved etc.

b. As an extension of (a), the question of consultation with staff representatives in one form or another - see paragraph 12(c) above; it seems that some kind of consultation would be desirable and it might be possible to keep this separate from recognising any particular union as having formal pay bargaining rights for the Senior Open Structure.

c. Experience with the present performance bonus scheme (which includes Grade 3). This scheme should be given a longer run before making any changes at all, to see how effective it is and to consider whether it might provide a permanent solution for Grades 2 and 3; and so as to put any development in the context of what might be done for other grades by way of performance pay. (In any case the interaction with the performance bonus scheme would need to be studied).

MANAGEMENT IN CONFIDENCE

d. The need to get clearer the basic pay arrangements for the future for the Civil Service generally (the "other ½ million"). However presented the move in the direction of the TSRBs recommendation (whether by way of range pay or bonuses) will look like giving yet more attention and yet more money to senior people and this would be better done against the background of agreement to new and hopefully improved pay arrangements for the rest of the Civil Service and/or perhaps even a peaceful settlement of the 1986 pay review, and, just possibly, other developments in the pay/personnel management field.

Another argument for moving slowly and carefully is that a range pay scheme, once introduced, would be very difficult to stop (especially for individuals who had been awarded range pay); which makes it very important to get the scheme right from the start.

14. In any case it seems desirable for there to be a known forward period before any increase or bonus were given, which means that introduction from 1 April 1986 is now virtually impossible. On the other hand there seems no need to pretend to be too black and white over the starting date for performance assessment, nor need payments actually start from a 1 April date.

Questions for consideration

15. The following inter-related questions arise :-

- a. Is a discretionary scheme likely to be worthwhile?
- b. Can criteria strong enough to back such a scheme be developed, and when?
- c. As between range pay and bonuses, which is preferable?
- d. If range pay, should there be more "as of right" points and fewer discretionary points, or vice versa?
- e. What would be the repercussions for the pay of other Civil Service grades?

MANAGEMENT IN CONFIDENCE

- f. If bonuses, should the existing scheme simply be extended?
- g. How can poor performance best be penalised?
- h. What about (i) pensionability and (ii) consultation?
- i. What would be a sensible date to aim at for starting a scheme?

Next steps

16. Depending on reactions to the points raised in this paper, summarised in paragraph 15 above, the Treasury will develop this note as the basis for further discussion at official and/or Ministerial level.

MANAGEMENT IN COMPLIANCE

	<u>Option A</u> <u>At present</u>	<u>Option B</u> <u>TSRB rec</u>	<u>Option C</u> <u>More Scale</u> <u>Less Disc</u>	<u>Option D</u> <u>Less Scale</u> <u>More Disc</u>
<u>Grade 3</u>				
On promotion	31,000	31,000	31,000	31,000
after 1 year	32,500	32,500	32,500	<u>32,500</u>
after 2 year/ <u>disc</u>	34,000	34,000	34,000	<u>34,000</u>
after 3 year/ <u>disc</u>		<u>36,000</u>	36,000	<u>36,000</u>
<u>UIPP(L)</u>	<u>37,000</u>			
<u>discretionary</u>		<u>38,000</u>	<u>38,000</u>	<u>38,000</u>
<u>discretionary</u>		<u>40,000</u>		
Points on scale/(disc)	3/(1)	3/3	4/1	1/4
Normal promotion increase	6,000	6,000	4,000	9,000
Minimum promotion increase (to Grade 2)	6,000	Nil	2,000	2,000
<u>Grade 2</u>				
On promotion	40,000	40,000	40,000	40,000
after 1 year/ <u>disc</u>	42,000	42,000	42,000	<u>42,000</u>
after 2 years/ <u>disc</u>		<u>44,000</u>	44,000	<u>44,000</u>
after 3 years/ <u>disc</u>		<u>47,000</u>	47,000	<u>47,000</u>
<u>UIPP(H)</u>	<u>48,500</u>			
<u>discretionary</u>		<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Points on scale/(disc)	2/(1)	2/3	4/1	1/4
Normal promotion increase	13,000	13,000	8,000	15,000
Minimum promotion increase (to grade 1A)	13,000	5,000	5,000	5,000
<u>Grade 1A</u>	55,000	55,000	55,000	55,000
<u>Grade 1</u>	60,000	60,000	60,000	60,000
<u>Cost £</u>	-	+£ 0.7 m	+£ 1.5 m	- £ 0.8 m
% of pay bill		+ 3%	+ 7%	- 3.5%

Discretionary points underlined.

FILE

DA

CONFIDENTIAL



b2 BC

10 DOWNING STREET

From the Private Secretary

22 January 1986

Dear Rachel,

FUTURE OF THE TSRB

With Denis Brennan's letter to me of 21 January, all Ministers concerned have now agreed the approach to further discussion about the future of the TSRB set out in my letter to you of 13 January.

I am copying this to Richard Stoate (Lord Chancellor's Office), Richard Mottram (Ministry of Defence), David Morris (Lord Privy Seal's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Paul Thomas (Minister for the Arts' Office) and Michael Stark (Cabinet Office).

Yours ever

David

(David Norgrove)

Mrs. Rachel Lomax,
HM Treasury.

CONFIDENTIAL

dg

CABG



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-930 7022

MO 4/4L

21st January 1986

Dear David,

THE FUTURE OF THE TSRB*at flap*

The Secretary of State for Defence has seen your letter of 13th January to Rachel Lomax in the Chancellor's office. He has now had an opportunity to read the Chancellor of the Exchequer's minute of 28th October 1985 and the correspondence that followed it.

The Defence Secretary agrees that there is no need to take an early decision on the future of the TSRB and that the matter should be looked at carefully by officials in the light of the points raised in correspondence. He is content therefore to proceed as the Prime Minister suggests. He agrees that a meeting of Ministers is not necessary at this stage.

I am copying this to Rachel Lomax (Treasury), Richard Stoate (Lord Chancellor's Office), David Morris (Lord Privy Seal's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Paul Thomas (Privy Council Office) and Michael Stark (Cabinet Office).

*Yours ever,
Denis*

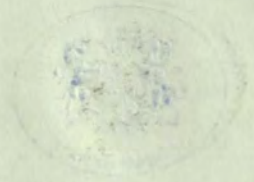
(D BRENNAN)

D Norgrove Esq

ECON POL PTB

TSRB

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2JH
Tel: 01-235 8500



COMMUNICATIONS

UNIT

FROM THE PRIVATE SECRETARY

RB



HOUSE OF LORDS,
LONDON SW1A 0PW

16th January, 1986

D. Norgrove Esq.,
10 Downing Street,
London,
SW1.

NBPN

Dear David

Future of TSRB

attached

Thank you for copying to me your letter of 13th January. The Lord Chancellor has now seen the minutes of 8th January from the Chancellor of the Duchy of Lancaster and 10th January from the Minister of State, Privy Council Office. He would be content to proceed generally on the lines Mr. Tebbit proposes, if other Ministers agree, and to dispense with the meeting set for 16th January (to which course we had already agreed by telephone). Obviously, however, the Lord Chancellor would wish to be consulted on the details of any amendments to TSRB's terms of reference, before these are settled although, as you suggest, officials will no doubt discuss these in the first instance.

Copies of this letter go to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Defence, the Chancellor of the Duchy of Lancaster, the Lord Privy Seal, the Minister of State at the Privy Council Office and to Sir Robert Armstrong.

yours sincerely,

Richard

Richard Stoate

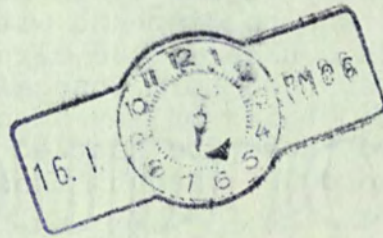
ECON POL PT8

TSRB.



House of Lords
London SW1A 0PW

100





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

14 January 1986

David Norgrove Esq
10 Downing Street
LONDON
SW1

NBAN

Dear David

FUTURE OF THE TSRB

The Chancellor has seen your note of 13 January recording the Prime Minister's endorsement of the proposal made by the Chancellor of the Duchy of Lancaster in his minute of 8 January.

The Chancellor agrees. We should seek to ensure that the TSRB's 1986 review is confined to a limited uprating exercise, and for the longer-term consider how to re-orient the TSRB's method of working away from comparability and towards a market based approach for each group, on the lines the Chancellor of the Duchy suggests. If that cannot be done, we should abolish the TSRB before it is due to make a further major revision of the salary structure.

If others are content the Chancellor agrees that there is no need for a meeting on Thursday, and he will ask Treasury officials to put the necessary work in hand in consultation with officials of other interested Departments.

I am copying this to Richard Stoate (Lord Chancellor's Office), Richard Mottram (MOD), David Morris (Lord Privy Seal's Office), Andrew Lansley (Chancellor of the Duchy), Paul Thomas (Minister for the Arts' Office) and Michael Stark (Cabinet Office).

Yours ever
Rachel

MRS R LOMAX
Principal Private Secretary

CONFIDENTIAL



178 (178) ...
1000 185 10



COPIES

oo
CONFIDENTIAL



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

14 January 1986

NBN
I have noted
SUE
14/1/86.
Dear David,

FUTURE OF TSRB

Thank you for copying to us your letter of 13 January to Rachel Lomax about the future of the TSRB.

The Lord Privy Seal is content to proceed in the way suggested. I am copying this letter to Richard Stoate (Lord Chancellor's Office), Richard Mottram (Ministry of Defence), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Paul Thomas (Minister for the Arts' Office), Michael Stark (Cabinet Office) and Rachel Lomax (Treasury).

Yours,
Alison

ALISON SMITH
Private Secretary

David Norgrove Esq
Private Secretary to the
Prime Minister



POST OFFICE
STATION
NEW YORK

NEW YORK

NY

CONFIDENTIAL

Noted on list



Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

*The Minister of State
Privy Council Office*

The Rt Hon Richard Luce MP

Great George Street
London SW1P 3AL
Telephone 01-233 8610

David Norgrove Esq
Private Secretary
10 Downing Street

13 January 1986

Dear David,

NBP 7

FUTURE OF TSRB

My Minister has seen you letter of 13 January to Rachel Lomax and is content with the approach proposed therein.

Copies of this letter go to the recipients of yours.

Yours ever

Paul Thomas

PAUL THOMAS
Private Secretary

CONFIDENTIAL





cc BB
✓

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

TOP SALARIES REVIEW BODY

The Prime Minister was grateful for your minute of 9 January reporting Lord Plowden's views on the recommendations for 1986. You will see from my letter of today to the Chancellor's Principal Private Secretary that your reassurance was one of the factors taken into account in leading the Prime Minister to conclude that there was no need to take an immediate decision on whether the TSRB should be abolished.

DN

David Norgrove
13 January 1986

DA



10 DOWNING STREET

13 January 1986

From the Private Secretary

Dear Rachel,

FUTURE OF TSRB

The Prime Minister has seen Mr Tebbit's minute of 8 January and Mr Luce's of 10 January in which they commented in advance of Thursday's meeting about the future of the TSRB.

The Prime Minister sees some force in the arguments which they and others have put forward against abolishing the TSRB at this stage, in particular that to abolish it now would look as if the Government was repenting its decision of last summer. She also sees the difficulty of an alternative system in which senior civil servants might be seen to be able to negotiate their own pay. The TSRB's recommendations for the 1986 settlement by all accounts seem likely to give little difficulty, and the Prime Minister feels this should give time for further work within Government.

The Prime Minister thinks that Mr Tebbit's suggestions may offer a way forward, and she has suggested that officials might be invited to work them up in greater detail. The Prime Minister would not see a need for a meeting on Thursday if colleagues agree with this approach.

Accordingly, I should be grateful to know as soon as possible whether the Chancellor and the Ministers to whose Private Secretaries I am copying this letter are content to proceed in this way.

I am copying this letter to Richard Stoate (Lord Chancellor's Office), Richard Mottram (Ministry of Defence), David Morris (Lord Privy Seal's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Paul Thomas (Minister for the Arts' Office) and Michael Stark (Cabinet Office).

Yours ever

David

David Norgrove

Mrs Rachel Lomax
HM Treasury.

GA

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PRIME MINISTER

FUTURE OF THE TSRB

You will remember the correspondence of November last year about whether the TSRB should be abolished. This is summarised in my minute below. The meeting on the correspondence, much postponed, is now scheduled to be held on Thursday.

Mr. Tebbit has written, below, because he cannot attend the meeting. He argues against abolition of the TSRB but favours changing its method of working. He suggests that this should be pursued, and if it fails, then the Government should go for abolition.

The Policy Unit point out that Mr. Tebbit's proposals would probably not have avoided last year's problem. The Chancellor, too, would probably still prefer abolition. However, I have discussed this with him, and he would be prepared to go along with Mr. Tebbit's proposal if he could be assured that it would not be watered down. (I imagine he recognises that the balance of opinion would be against abolition at the meeting.) I have spoken to all the other departments concerned, and without committing their Ministers, they said they would be prepared to recommend Mr. Tebbit's route.

Sir Robert Armstrong has written in reassuring terms about the prospects for the settlement this year.

On this basis, if you agree, I could say on Monday that you see the force of Mr. Tebbit's arguments against abolition (that abolition would appear to go back on the decision taken last summer and that civil servants should not be seen to negotiate their own pay); that the 1986 settlement should present less difficulty than last year's; that officials should be invited to study and make detailed proposals based upon Mr. Tebbit's proposal; and that if colleagues agree with

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this course of action Thursday's meeting would be cancelled.

The alternative is to go ahead with the meeting, but this would probably lead to another "defeat" for the Chancellor.

Agree to proceed as above?

Yes - Charleyon

ms

DW

DAVID NORGROVE

10 January 1986

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MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

FUTURE OF THE TOP SALARIES REVIEW BODY

As I cannot be at your meeting on this subject on 16 January - because it clashes with Standing Committee on the Museum of London Bill - I am sending you this minute to let you and my colleagues know my views.

In the minute I sent you on 15 November 1985 I expressed some reservations about the proposal for abolition of the Top Salaries Review Body (TSRB), and suggested that we should consider whether that would produce fewer problems than retaining it, perhaps with a modified remit. The views expressed by the Secretary of State for Defence in his minute of 14 November 1985, by the Lord Chancellor in his minute of 25 November 1985 and by the Chancellor of the Duchy of Lancaster in his minute of 8 January have reinforced these reservations.

Others have referred to the difficulty of any system under which senior civil servants were seen to be able to negotiate their own pay. I think that this is a real problem in the Chancellor of the Exchequer's proposal. I also think he overstates the argument that the TSRB tends to look at its 'client' groups horizontally rather than vertically: there is (as the Secretary of State for Defence pointed out) a reality about the horizontal link between senior civil servants and senior armed forces officers, and the TSRB has always taken account of the relationships between their groups and 'the work forces to which they belong'. Nor do I think that the TSRB can fairly be accused of excessive regard for comparability: their own figures last year demonstrated that, if they had thought simply about comparability, they could have come up with even higher figures than they did.

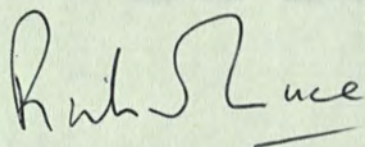
I think we are in danger of shooting the messenger because we didn't like the last message. I am also concerned about how we would reconcile abolition with our efforts to reach a long term pay agreement with the Civil Service unions and with the retention of independent bodies to review the pay of the senior armed forces and judiciary. So I, like the Chancellor of the Duchy, favour keeping the TSRB but redirecting its orientation, either by refining the terms of reference or by putting in suitable evidence, so as to remedy its deficiencies.

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There is one other consideration, on which the Chancellor of the Duchy also touches. We are now only twelve weeks or so from the time when the TSRB is due to produce its next report, and I understand that it has already started work. I think, therefore, that we have left it a bit late to abolish it now. The coming review is to be no more than an updating. That gives us time to consider how we might redirect the TSRB, and to do whatever in the light of that we think is right to do, after the coming review but well before the 1987 review is put in hand.

I am sending copies of this minute to the Lord Chancellor, the Chancellor of the Exchequer, the Secretary of State for Defence, the Chancellor of the Duchy of Lancaster, the Lord Privy Seal and Sir Robert Armstrong.



RICHARD LUCE
10 January 1986

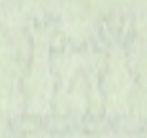
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TSRB



CONQUEROR



CCBO



Prime Minister

Ref. A086/82

MR WICKS

Top Salaries Review Body

The Prime Minister is to have a meeting about the future of the Top Salaries Review Body (TSRB) on 16 January.

2. I sent you a minute on 18 November last on this subject (A085/2949).

3. The only point I should like to add relates to the prospects for the 1986 review, if the TSRB continues to exist. In my earlier minute I said that I was in little doubt that, if the TSRB was still in business for a 1986 review, its recommendations would create little or no embarrassment for the Government. I am in even less doubt about that now. Lord Plowden knows very well that the Government's decisions last year were politically difficult and embarrassing, and that the Government could not accept a repeat of that or anything like it in 1986. He is clear that the Review Body must keep its recommendations down to a level which does not create problems of that kind in 1986, if they are to have any chance of being accepted; and he has no doubt that he can carry his colleagues with him. For good measure I have privately made clear to him my unreserved agreement with that view, and my belief that the "clients" would not expect or indeed want an increase out of line with whatever the Government accepts for the Civil Service as a whole this year, and would not be surprised or aggrieved if the recommendation was less than that.

MS

9 January 1986

ROBERT ARMSTRONG

ECON POL

TSRB

PT 8



CONFIDENTIAL

2-11



Chancellor of the Duchy of Lancaster

NBP at this stage

C C VEG

PRIME MINISTER

FUTURE OF TSRB

at flap Pt 7
 You are to hold a meeting on 16 January to discuss Nigel Lawson's minute of 28 October and the subsequent correspondence. I regret that I shall not be able to be present.

The TSRB is a vestige of the idea that the pay of public servants should be determined by comparability. The row that followed the last pay settlement shows the failings of such an idea. The terms in which the settlement was most successfully defended was the need to recruit and, more significantly for this group, retain the right calibre of staff; or, less convincingly, that we should honour the results of such a review body.

It is to the former argument that we should look. We should aim to have a method of determining pay for these groups which allows us to meet the needs of the public service. As Nigel says in his minute, it is a mistake in these terms to look at "top salaries" horizontally. We need to look separately at each group.

For both the senior civil service and the Armed Forces, existing pay review machinery gives a basis for considering the relativities of more senior grades and senior management development needs. For the judiciary, Quintin Hailsham's minute shows that a direct and market-related test is available, in the willingness of barristers to accept a judicial appointment.

I therefore agree with Nigel that we should redesign our method of determining "top salaries". But I do not believe this requires that the TSRB should be abolished. That would be interpreted as a recantation of the decision we took in the summer. Nor would it command public confidence if senior civil servants were seen to be able to negotiate their own pay.

It may well be better to keep the external format of the TSRB, whilst re-orientating its method of working. For example: rejecting comparability; horizontal job linkage only where justified by a direct comparison of work (eg. Michael Heseltine gives as an example the Major General/Grade 3 link although I am not sure that is a valid one), looking to market-related and practical tests of the ability to retain necessary staff, and of simple vertical relativities; each of these could be incorporated into the TSRB's terms of reference. In sum, they may remedy many of its deficiencies.

For the present the TSRB should be engaged in limited up-rating reviews. This should give us a breathing-space to reform its methods of working. If we cannot satisfactorily do so, then we should abolish it before it is due to make a further major revision of the salary structure.

I am copying this minute to Quintin Hailsham, Nigel Lawson, Michael Heseltine, John Biffen, Richard Luce and to Sir Robert Armstrong.

NT

NORMAN TEBBIT

8 January 1986

ECON POL PD7

TSRB



NORMAN T. BILLY

CONFIDENTIAL



10 DOWNING STREET

From the Principal Private Secretary

24 December 1985

Dear Rachel,

T.S.R.B.

I write to confirm that there will be a meeting on the future of the TSRB here at No. 10 at 12 o'clock on 16 January. Those invited are: the Chancellor of the Exchequer, the Lord Chancellor, the Lord Privy Seal, the Secretary of State for Defence, the Lord President, the Chief Whip and Sir Robert Armstrong (Mr Tebbit and Mr Luce unfortunately cannot come).

The meeting will have before it the following papers, all addressed to the Prime Minister: minute of 28 October and 14 November from the Chancellor of the Exchequer; minute of 4 November from the Lord Privy Seal; minute of 14 November from the Secretary of State for Defence; minute of 15 November from the Minister of State, Privy Council Office; minute of 25 November from the Lord Chancellor.

I am sending a copy of this letter to Joan MacNaughton (Lord President's Office), Richard Stoate (Lord Chancellor's Office), Richard Mottram (Ministry of Defence), David Morris (Lord Privy Seal's Office), Murdo McLean (Chief Whip's Office) and Michael Stark (Cabinet Office). I am attaching to the copy of the letter to the Private Secretaries of the Lord President and the Chief Whip copies of the relevant minutes.

Nigel Wicks

N. L. WICKS

Mrs Rachel Lomax,
H M Treasury

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CONFIDENTIAL

HOUSE OF LORDS,
LONDON SW1A 0PW

23 December 1985

NSRB.

My dear John:

Evidence to TSRB

Thankyou for your letter of 19 December.

I do not agree that the submission of my evidence to TSRB should be delayed. We are to meet on 16 January under the Prime Minister's Chairmanship to discuss the future of TSRB, but, as you already know, I and several colleagues have considerable reservations about your suggestion that TSRB should be abolished. We should not therefore act as if that decision had already been taken.

TSRB ask me each year to submit evidence on judicial recruitment by 31 December. They did so in early October this year. TSRB's secretariat have spoken to my officials about the evidence several times since then, and were told only a few days ago that it was virtually complete and that there should be no difficulty in submitting it by the end of the year. My officials know from the OME secretariat that TSRB have already started work on their next Report. Submission of my evidence now will not therefore allow them to commence work they would not otherwise have done. Rather I shall be accused of bad faith if I do not submit now evidence which TSRB have been led to believe they can expect. TSRB know, moreover, from the evidence submitted in previous years that evidence on recruitment is not particularly voluminous. It would therefore be virtually impossible now to tell TSRB convincingly that there will be a delay of several weeks in submitting this. The Review Body would be bound to be very suspicious; and I am sure that the last thing you would want is for there to be any chance of the Review Body getting the impression at this stage that their future is now in doubt.

Accordingly, although I will take account in the evidence of any drafting changes suggested by your officials, I must arrange for my evidence to go forward to TSRB in the ordinary way.

Copies of this letter go to the Prime Minister, Michael Heseltine, Richard Luce and to Sir Robert Armstrong.

yrs.

From THE RT. HON. LORD HAILSHAM
OF ST. MARYLEBONE, CH. FRs, DC.

The Right Honorable
John MacGregor
The Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

ECON POL

TSRB

PT8



CONFIDENTIAL AND PERSONAL



NBN.

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Hailsham
 of St Marylebone, CH, FRS, DCL
 The Lord Chancellor
 House of Lords
 London
 SW1A 0PW

19 December 1985

De Quint,

TSRB EVIDENCE: JUDICIAL SALARIES

I understand that your Department is planning to submit evidence to the TSRB on judicial salaries at the end of this week, to meet the TSRB's request that the Government's evidence should be submitted by the end of this year. My officials will be letting you have a number of minor drafting comments. My concern is with timing.

As you know, we are due to discuss the future of the TSRB at a meeting under the Prime Minister's chairmanship on 16 January. It will not, in fact, be possible for quite genuine operational reasons to submit evidence, of the type requested by the TSRB, for either the higher civil service or senior armed services officers before that meeting.

I am concerned that if we submit the evidence on the judiciary earlier than that and decide soon after to abolish the TSRB we may be accused of bad faith. The TSRB would feel that they have been treated in a cavalier and discourteous manner. They might argue that they should be allowed to finish preparation of a report on which they will have already started work.

I am anxious that colleagues should be able to consider the proposals Nigel has put forward for winding up the TSRB without such presentational problems overhanging the discussion. I would therefore be most grateful if you too could agree to delay submitting your Department's evidence until after the Prime Minister's meeting.

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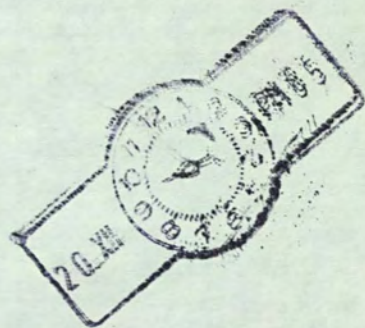
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Obviously, I am not intending by this request to pre-empt in any way the discussion on 16 January. If colleagues did decide to keep the TSRB, all the evidence could then be put forward immediately. Taking account of the holiday period the delay would be only two weeks and I am sure that the TSRB could live with that.

I am copying this letter to the Prime Minister, Michael Heseltine, Richard Luce and to Sir Robert Armstrong.

Yes, etc,
JH

JOHN MacGREGOR



CONFIDENTIAL



10 DOWNING STREET

From the Principal Private Secretary

11 December 1985

Dear Rachel,

TSRB

As I told you on the telephone this morning, this afternoon's meeting on the future of the TSRB has been postponed. I fear that it will not be possible to re-instate the meeting until after Christmas.

The Prime Minister would like the Lord President, the Chancellor of the Duchy of Lancaster and the Chief Whip to attend the meeting in addition to those Ministers who were already invited to today's cancelled discussion. *see the papers*
to attend *If they are unable*

and if the time is convenient
I am sending copies of this letter to the Private Secretaries to the Lord Chancellor, Lord Privy Seal, Secretary of State for Defence, Minister of State (Privy Council Office), and Sir Robert Armstrong.

Copies also go to the Private Secretaries to the Lord President, the Chancellor of the Duchy of Lancaster and the Chief Whip, to whom I am also copying the circulated minutes.

L
N. L. WICKS

Mrs. Rachel Lomax,
H.M. Treasury.

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10 Jan # 10 Feb

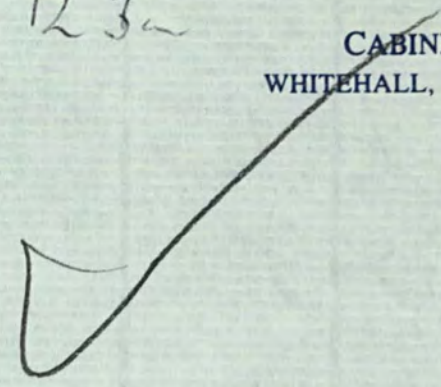
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LC 4 - 12 Jan



Chancellor of the Duchy of Lancaster

CABINET OFFICE.
WHITEHALL, LONDON SW1A 2AS



PRIME MINISTER

TSRB

I understand that there will be a meeting today concerning TSRB. I have not seen any papers about this, nor am I aware of what may be proposed. However, not least bearing in mind the political problems caused by the last TSRB report, I would have liked the opportunity to comment on any proposals at an early stage.

I am copying this letter to the Lord President.

Joanne Barnes

(Approved by the Chancellor of the Duchy of Lancaster and signed in his absence).

11 December 1985



COLOMBIA

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PRIME MINISTER

T.S.R.B.

The papers for your meeting on TSRB tomorrow at 1700 hours are below. My original minute summarises the views taken by colleagues.

The Treasury tell me that it is beginning to be too late to abolish the TSRB for this pay round. This is the first I have heard of that argument and they have not pressed the urgency of a meeting. They could not say whether the Chancellor agrees.

On balance the weight of opinion seems to be against abolition of the TSRB. The Treasury at official level have begun to consider face-saving fall backs. One of them might be to postpone the decision until the next TSRB report is available in the summer. Whilst this might save face, the later the decision of course the more difficult abolishing will be. The Chancellor does not know of this thinking and I doubt that he would agree with it.

Mark Sawyer

pp. DAVID NORGROVE

10 December 1985

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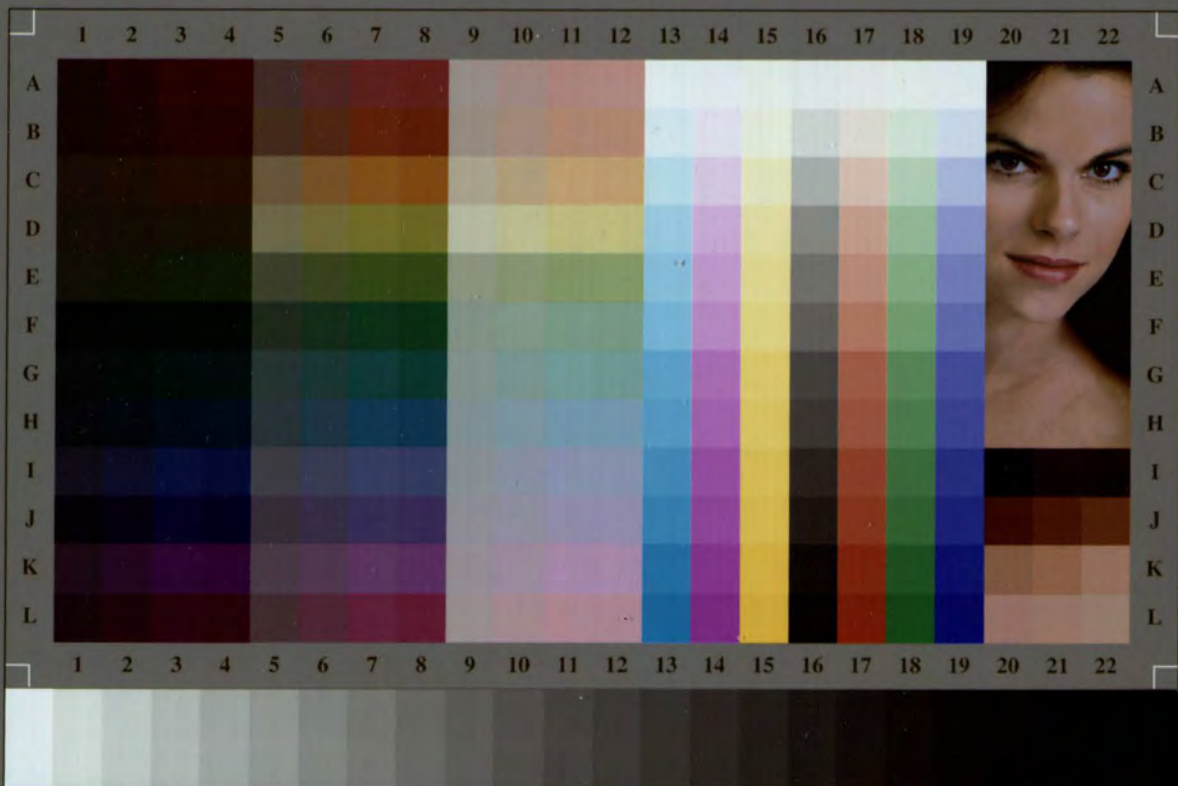
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PART 8 begins:-

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