

PRIME MINISTER

cc Mr Wolfson
Mr Ingham
Mr Duguid

Attached is:

- i) the annual report of the PRU Board - conclusions at Flag A - which is to be published.
- ii) a personal letter (Flag B) from the Chairman, Lord Shepherd, complaining that the Board's remit is too narrow - and implying that the PRU system is in need of reform.

We will need advice from CSD on the timing of publication of the report, and also a draft press notice.

The personal letter from Lord Shepherd is timely in that the paper on public sector pay which you have commissioned from the Chancellor will cover PRU - and more specifically, the question of whether the Board should have a wider remit. If you agree, I will send CSD and the Treasury a copy of the letter; and then let you have a draft reply. *Sheep RB.*

If you wished, we could ask Lord Shepherd and Derek Rayner, who is Deputy Chairman of the Board, to come in to explain their views. CSD doubt whether this would be worthwhile since - so they say - their Ministers are well aware of the Board's views. On the other hand, such a meeting might help you to focus on the PRU problem in advance of the public sector pay meeting; and I don't think you have ever discussed PRU with Derek Rayner in any detail. If you did have Shepherd and Rayner in, it would help to have Mr. Channon (or the Lord President) and the Chancellor as well.

Sheep RB

RL

2 May 1980

IN CONFIDENCE



CIVIL SERVICE PAY RESEARCH UNIT BOARD

Queen Anne's Chambers

41 Tothill Street, LONDON SW1H 9JX

Telephone: 01-273 4465

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CHAIRMAN

The Rt Hon Lord Shepherd P.C.

1 May 1980

The Rt Hon Margaret Thatcher MP
Prime Minister and
Minister for the Civil Service
No. 10 Downing Street
London SW1

Margaret Thatcher

I have sent to you today the report of the Civil Service Pay Research Unit Board on the 1979/80 operations of the Civil Service Pay Research Unit. This letter is a brief personal comment in confidence.

My Board has a role stemming from the 1977 Civil Service National Pay Agreement to satisfy itself that the Unit is undertaking its responsibilities properly and efficiently, and for safeguarding the independence and impartiality of the Unit.

Our report sets out how we have discharged our responsibilities. We are satisfied with the professional approach of the Unit, impressed by the thoroughness with which it goes about its business, and by the high regard in which it is held by most of the organisations with which it deals. There are areas where we have suggested some changes or have asked for some investigations to be made, but we have little doubt about the overall soundness and validity of the Unit's surveys.

I have, over the past year, made clear to the Lord President of the Council and the Minister of State, Civil Service Department, the very restricted role of the Board. We are concerned with only one aspect of the pay research system; the integrity, impartiality and effectiveness of the Unit. We are precluded under our terms of reference from involving ourselves in, or commenting on, the range and type of information produced for the negotiating parties, how the Unit's data is used or interpreted, and on the validity and effectiveness of the pay research system as a whole.

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The Board's report is thus similarly limited in its scope and you will appreciate that it does not therefore review the whole of the operations of the pay research system. I feel it necessary to say that I, personally, have doubts on how long the independent members of the Board will remain satisfied with their current restricted role.

Yours sincerely
Malcolm Shepherd

SHEPHERD



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cc C.I.O.

CHAIRMAN
The Rt Hon Lord Shepherd P.C.

1 May 1980

The Rt Hon Margaret Thatcher MP
Prime Minister and
Minister for the Civil Service
No. 10 Downing Street
London SW1

Dear Prime Minister

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Folder behind
file.*

The terms of reference of the Civil Service Pay Research Unit Board require us to receive an annual report from the Director of the Pay Research Unit, and to submit to you an annual report for publication.

The Board has completed its examination of the work of the Unit for the period of the 1979/80 pay research programme, and I accordingly submit the annual report of the Board which incorporates that of the Director of the Unit.

*I am, Sir, sincerely,
Yours faithfully,
The Rt Hon Lord Shepherd*

SHEPHERD