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PRIME MINISTER

Top Salaries Review Body 11th Report  
(E(79) 4)

BACKGROUND

The essential point in this paper is that the last Government accepted in 1978 the salary scales recommended in the Review Body's 10th Report (TSRB10) subject to staging (10 per cent on 1st January 1978; half the balance on 1st April 1979; and the remainder on 1st April 1980) but came to no conclusion on updating the 1979 and 1980 stages to take account of developments since the 10th Report was prepared. They did however give forward commitments on updating in 1979 and 1980 to the other two Review Body groups (the Doctors and Dentists and the Armed Forces) and to the Police. The present Report (TSRB 11) recommends the updating required in 1979. The cost of implementation is small, and raises no particular problems over cash limits. The main difficulty is the "demonstration effect" of apparently large increases for some individuals especially when the updating is added to the already agreed second stage of payments under the earlier Report (TSRB10).

HANDLING

2. You might ask the Lord President to introduce his paper, and see whether the Chancellor of the Exchequer or the Secretary of State for Employment wish to add anything. You will then want to work through the two main issues and three minor ones:-

- (a) Whether to implement the TSRB 11 recommendations.

The Lord President recommends doing so. That means paying the salaries in brackets in the third column of the Annex from 1st April 1979. The increases involved are those shown in the first column. There is no great argument about the methodology used by TSRB in updating last year's recommendations. They yield an 11.7 per cent increase on average, with a fairly narrow spread of increases between the top and bottom of the scales. There is no strong

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reason of principle for differentiating the TSRB group from the DDRB group - where promises of updating have already been given: see the previous item on the agenda (the Armed Forces have, of course, deliberately been given preferential treatment). Nor does there seem any reason to distinguish between the different categories covered by TSRB.

(b) What commitments to make for 1980?

Lord Soames' recommendation (paragraph 8a) is a shade ambiguous.

We understand that he means that the figures in brackets in the fourth column of the Annex should be promised now and implemented on 1st April 1980; and that they should be introduced immediately for pension purposes; but that no commitment should be given to update these figures further in 1980. This would be in line with what the last Government did in accepting the previous TSRB Report, though is less generous than the treatment accorded by them to the Doctors and Dentists, the Armed Forces and the Police. Because the paper is a little ambiguous, it would be well to get the point and a decision on it clearly on the record. The choice is between giving and not giving a promise to update the Report's recommendations in 1980. And this in turn depends on whether the Government prefers to keep its options open for the future or to take one decision now and so avoid having to come back to the problem next year.

3. Of the minor issues:-

- (c) Pensionability. As noted above, Lord Soames proposes to introduce the updated 1st April 1980 rates for pension purposes immediately. This follows a well-established pattern, where the recommendations of Review Bodies are staged. Pensions are already based on the 1st April 1980 rates recommended in TSRB10 (i.e. the unbracketed figures in column 4 of the Annex). The proposal is that people retiring after 1st April 1979 should be pensioned on the basis of the figures in brackets in the fourth column instead.

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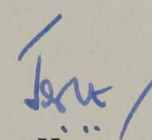
- (d) British Rail. We have been warned of a particular local problem about the number of British Rail Board Members who can be paid on the Deputy Chairman point. The facts are in paragraph 25 of the TSRB Report. This is not an issue on which the Committee will want to waste time. If Mr. Fowler raises it, you might ask him to take the matter up separately with the Lord President (who will be briefed to agree to do this).
- (e) Judges. Paragraph 20 of the Report refers to the overlap between the pay of senior judges and that of the Lord Chancellor. This will be sorted out when the TSRB reports on MPs' pay - we are told it is due in mid-June.
- (f) Civil Service consequentials. The PRU recommended rates for Senior Principals and Assistant Secretaries which would have brought the latter over the proposed rates for Under Secretary. Implementation has therefore been deferred until decisions have been taken on TSRB. The CSD propose to negotiate abated rates for Assistant Secretaries and Senior Principals to fit in with the decisions at higher grades which the Committee will take at this meeting. This is a management matter which the Lord President should be able to deal with himself (in consultation as necessary with you) and does not really need collective discussion. The question of the overlap between the two systems could of course be raised together with the possibility of rationalising the arrangements. But there is no need for you to be drawn on this possibility yet.
- (g) Timing. The Lord President wants to make an early announcement (printing is in hand).

CONCLUSIONS

4. The conclusions of the meeting might therefore be:-
- (i) to agree that the Report and the Government's decision on it should be published as soon as possible; (the timing depending on that agreed for the DDRB Report);

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- (ii) to agree that the recommended rates for 1st April 1979 set out in TSRB 11 should be implemented from that date;
- (iii) to agree that those retiring after 31st March 1979 should be pensioned on the basis of the updated rates recommended for 1st April 1980;
- (iv) to confirm that the updated recommended rates for 1st April 1980 shown in the Report should be implemented on that date;
- (v) either to agree that no further commitment should be given now about updating those rates once more in 1980; or to enter into such a commitment now;
- (vi) to invite the Lord President to settle, after consulting you, the consequential pay increases for Assistant Secretaries and Senior Principals in the Civil Service;
- (vii) (if necessary) to invite the Minister for Transport to take up separately with the Lord President the question of British Railways Board Members' salaries.

  
John Hunt

31st May 1979