



10 DOWNING STREET

CCO

From the Principal Private Secretary

7 May 1979

Dear Private Secretary,

Special Advisers

I set out below the procedure which the Prime Minister wishes Cabinet Ministers to follow when considering the appointment of Special Advisers. A more detailed memorandum will be circulated by the Civil Service Department in a day or so, and the Civil Service Department will also be circulating a model letter of appointment.

I should emphasise that no commitment should be entered into on levels of remuneration without prior consultation with the Civil Service Department. In practice, this question should not arise in the immediate future, as the Prime Minister's authority for any appointment will have to be obtained first.

The Prime Minister envisages two different categories of Special Advisers. There will be a limited number of Special Advisers in a "non-expert" category. She does not wish to encourage such political advisers, but is aware that some Cabinet Ministers would like a personal assistant who is already known to them and who can help them to tackle that side of their work which is partly governmental and party political. For such appointments, the Prime Minister intends that the following rules should apply:

- (a) Only Cabinet Ministers will be entitled to make such appointments and only then after personal approval of the proposed appointee by the Prime Minister. No Cabinet Minister will have more than one such Adviser.
- (b) These Advisers must be on a defined point in a recognised scale. There will be no cases in this category of special scales for individuals.
- (c) The Prime Minister recognises that there will be difficulties in establishing starting points, but is sure that satisfactory arrangements can be devised.
- (c) These Advisers must be positively vetted. Their access to papers will be determined by their own Minister.

The second group of Special Advisers will be in a professional or expert category. The Prime Minister welcomes such appointments.

/ Only Cabinet

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Only Cabinet Ministers will be entitled to recommend to her such appointments. Those appointed must be on a recognised pay scale suitable to their qualifications. The Prime Minister recognises that, in this category, there may be special cases requiring individual treatment. As with the first category, these Advisers must be positively vetted, and their duties are to be determined by the Minister to whom they will work.

I am copying this letter to the Private Secretaries to all members of the Cabinet, the Private Secretary to the Minister for Transport, and to Sir John Hunt and Sir Ian Bancroft.

*Your sincerely,*  
*K. R. Stowe.*

The Private Secretary

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PRIME MINISTER

Special Advisers

The attached submission from Sir Ian Bancroft seeks your decision on whether Ministers in your Administration should be able to appoint Special Advisers.

Are you content to agree in principle that they should be able to do so? And, if so, are you prepared to agree with Sir Ian Bancroft's suggestions in his paragraph 2?

You will see that his proposals include new arrangements for determining the pay of Special Advisers. This has been a cause of some difficulty in the past, and the proposed rationalisation would serve to avoid similar difficulties in future; but if you preferred to give this rather fuller consideration, it could be held over for the time being.

Are you content to accept all of Sir Ian Bancroft's proposals?

M<sup>5</sup>

4 May 1979

MR K R STOWE

## SPECIAL ADVISERS

The employment of Special Advisers is a matter on which the Prime Minister's personal views are essential. Experience has shown that early supervision from No 10 reduces the issues which need to be referred to the Prime Minister for resolution later. With this in mind I attach a paper which describes the role which Special Advisers can play in Government and outlines arrangements to provide them with equitable terms of employment. Ministers may also wish to make appointments terminating at or before the end of an Administration involving advisers who command unusually high salaries in the open market. Such appointments can, of course, be made exceptionally and on an ad hoc basis. But I should like to draw the Prime Minister's attention to the paper's conclusions in respect of the generality of Special Advisers' appointments.

2. The points which require the Prime Minister's decisions are:
  - a. which Ministers should be able to appoint Special Advisers and how many can they appoint? It is suggested that only Cabinet Ministers in charge of Departments should make such appointments up to a limit of two;
  - b. what arrangements should be made about pay? Previous arrangements have not been entirely satisfactory and I should like to recommend the alternative scheme which is suggested in the paper; this incorporates a wide range of starting pay, a measure of incremental progression and annual increases where appropriate;
  - c. what rules should govern Special Advisers' access to papers? It is suggested that Special Advisers should be positively vetted and have access to all papers to the extent laid down by the Minister concerned, bearing in mind any bar on sensitive, security or intelligence reports.
3. The paper concludes that once the Prime Minister has decided these points it will be possible to submit for her urgent approval a Memorandum which will promulgate the rules she wishes Ministers to follow when they appoint Special Advisers. In the absence of the Memorandum, of a decision on the pay regime, and of letters of appointment drafted in accordance with these, early appointments might be concluded in a way which could create difficulties in future.
4. I would be grateful for an early indication of the Prime Minister's wishes.

*RS*

IAN BANCROFT  
4 May 1979

SPECIAL ADVISERSIntroduction

This paper concerns the employment of Special Advisers to Ministers, and invites the Prime Minister to indicate any changes which she would like to make in the arrangements described below.

Background

2. It is now a recognised feature of public life that the employment of Special Advisers on the one hand adds a political dimension to the advice available to Ministers, and on the other provides Ministers with the direct advice of distinguished experts specialising in a particular field of public administration. In the modern world, it is reasonable to make adequate arrangements to ensure that the staff whom Ministers personally select to undertake these tasks are properly remunerated for the services they provide.

3. Appointments made by a Minister in a non-Ministerial capacity are not appointments in the Civil Service. Thus the Civil Service has no part to play when, for example, a Minister in his capacity as a Member of Parliament employs a constituency secretary. In circumstances of this kind, terms and conditions of service, including remuneration, are settled by the parties concerned, who draw on such financial resources as they may command. Accordingly, some Ministerial advisers have not been civil servants and their remuneration, if any, has been drawn from other than public funds. Special Advisers on the other hand have been directly appointed by Ministers, have been members of the Home Civil Service, and have been paid from public funds.

4. In the latter case benefits of service take account of those of other members of the Home Civil Service. Accordingly, Special Advisers are entitled to the same allowances as Home Civil Servants; they are covered by Civil Service superannuation arrangements; some of them are paid ad hominem rates and some are paid as if they were members of broadly equivalent Civil Service grades. But there are differences. Where it is desirable, a measure of latitude is provided to enable them to fulfil the full range of their duties. Thus they have rather more freedom to participate in political activities than have other members of the Home Civil Service in similar positions of proximity to Ministers. Since it has been thought inappropriate that the rules which cover the taking up of business appointments by those who leave the Home Civil Service should apply to Special Advisers they neither have access to the kind of information (eg about individual companies) nor are involved in the kind of business (eg contracts) which underlies the need for such rules for career civil servants.

Tenure

5. There are other important respects in which the position of Special Advisers differs from that of the great majority of civil servants. They are one of a small number of groups of civil servants who are directly appointed by Ministers and whose appointments fall

outside the responsibility of the Civil Service Commissioners as it is legally defined in the Civil Service Order in Council 1978. This recognises that their tenure ceases when the Administration under which they were appointed no longer holds office, when there is a General Election, or when the appointing Minister leaves office, whichever of these eventualities occurs first. Their appointment is subsequently renewable should the incoming Administration be of the same political complexion as the outgoing (subject always to the Prime Minister's approval in each case).

6. In other respects legal provisions apply to Special Advisers as they do to civil servants. Accordingly Special Advisers must resign under the terms of the Servants of the Crown (Parliamentary Candidature) Order 1960, on being adopted as a parliamentary candidate or prospective candidate.

#### Relations within Departments

7. Within departments, working alongside other civil servants, Special Advisers have direct access to their Minister. Their duties are laid down by him. They are outside the departmental hierarchy, that is, they do not work directly under a permanent civil servant. And equally, apart from secretarial assistance, they have no permanent civil servants working directly for them.

#### Appointments

8. It is for the Prime Minister to decide which members of the Administration may appoint Special Advisers, and what limit should be placed on numbers, either per Minister or overall. It was the practice of the previous Administration to make provision in the following way. Only Cabinet Ministers in charge of departments appointed Special Advisers, and each such appointment was made directly by the Minister concerned, following consultation with his or her Permanent Secretary and after seeking the Prime Minister's approval. Each Cabinet Minister could appoint no more than two Special Advisers, except that, where there was more than one Cabinet Minister with departmental duties in a department, the Cabinet Minister in charge of the department could appoint more than two Advisers with the approval of the Prime Minister. The limit of two Advisers did not apply to Advisers who were recognised as distinguished experts in a particular field, but such appointments still required the approval of the Prime Minister. The Prime Minister will wish to indicate whether she intends to retain these rules in respect of appointments to be made under the new Administration.

#### Pay

9. The pay of Special Advisers, like that of other civil servants, is subject to the control of the Minister for the Civil Service, namely, the Prime Minister, for whom pay rates are administered by the Civil Service Department. The appointing Minister may wish to discuss pay with a prospective Adviser, but his departmental officials will put any proposals to the CSD for consideration; and the Head of the Home Civil Service has hitherto sought the agreement of the Prime Minister for changes in existing rates of pay of Special Advisers.

10. There have been two methods of initially fixing and subsequently reviewing the pay of Special Advisers:-

a. the most senior, few in number, have been firmly linked for pay purposes to the Civil Service Deputy Secretary and Under Secretary grades and shared their adjustments and review dates. The current Inner London rates are:

1 April 1979

Deputy Secretary	£17,814
Under Secretary	£15,238

b. other Advisers who are not considered to warrant salaries as high as these have had their salaries fixed ad hominem so as to reflect their outside "market value" in terms of pre-appointment earnings, so far as these could be objectively determined. In most cases the rates fixed have been in a range encompassed by the Civil Service grades of Principal and Assistant Secretary - currently £7926 to £13,902 in Inner London but under review. The pay of each of these Advisers has been reviewed annually.

11. During the past few years the arrangements described in paragraph 10b. above have presented a number of problems:-

a. the criteria for fixing starting pay are not clear enough and this can lead to inconsistencies;

b. the system of individually-fixed rates does not provide scope for incremental progression;

c. a disparity arises from the fact that the pay of the most senior Advisers is linked to Civil Service grades, while that of the others is not;

d. difficulties have arisen over the determination of the basis of annual reviews.

12. In order to remove these difficulties the Prime Minister may now wish to introduce a more orderly framework for fixing and reviewing the pay of all Special Advisers. There is scope for a number of approaches to be adopted and proposals for an improved system are attached as an Annex to this paper. This system provides for each new Adviser to be placed on appointment on whichever one of 31 salary points, currently covering the range between £3969 and £17,814 per year, approximates most closely to the salary he or she could command in the open market. Each of these points corresponds to a specific scale point in the Administration Group, and moves automatically with changes in pay at equivalent levels in the Home Civil Service. Provision is also made for some incremental progression during the early years of service when the Adviser is learning and developing his job. The Prime Minister will wish to indicate whether the present pay arrangements are satisfactory; or whether the alternative arrangements outlined above should apply to new appointments.

*being  
difficult  
to decide*

Severance Pay

13. Severance pay arrangements are not generally available to other civil servants but have been designed to compensate Special Advisers for the abrupt termination of their appointments. Accordingly, they have been payable should termination of an appointment be brought about automatically by any of the circumstances described at paragraph 5 above; also when a Special Adviser resigns to take part in an election campaign or resigns under the terms of the Servants of the Crown (Parliamentary Candidature) Order 1960 (paragraph 6 above). The severance payment is calculated on a scale according to age and length of service. Those aged under 34 receive a payment equal to three months' pay; those aged 35 and over receive three months' pay with an extra month's pay for each completed year of service after the first, subject to a maximum of six months' pay; those aged 34-35 receive payment half-way between these two rates.

Access to papers

14. The Prime Minister will wish to consider the degree of access to papers which will be appropriate. Hitherto, Special Advisers have been positively vetted and have had access to all papers to the extent laid down by the Minister concerned, bearing in mind any bar on sensitive, security or intelligence reports. They have not seen papers relating to other civil servants personally, for example, on appointments, nor have they seen papers which are sensitive in the context of business appointments (see paragraph 4 above).

Conclusion

15. The arrangements described above are not immutable, but they are based on recent practical experience and to that extent are judged to be workable. Before they can be promulgated, the Prime Minister's decision on the following points is requested:-

- a. what arrangements does she wish to prescribe governing which Ministers may appoint Special Advisers and in what numbers (paragraph 8)?
- b. are the present pay arrangements satisfactory, or should the alternative scheme detailed in the Annex to this paper be adopted forthwith (paragraphs 9-12)?
- c. are the existing rules covering access to papers satisfactory (paragraph 14)?

16. When the Prime Minister's decisions on these points are known:-

- a. a Memorandum describing the arrangements which will govern the employment of Special Advisers will be submitted for approval. The Memorandum may subsequently serve as formal guidance to Ministers on this subject;
- b. letters of appointment which fully take account of these arrangements will be sent by the departments concerned to all the Special Advisers on whose employment the Prime Minister and the appointing Minister have agreed.

*See annex.*



## 1. Special Advisers (Non-expert)

I do not like political advisers as such and have discouraged them. Nevertheless some Cabinet Ministers feel they would like a personal assistant who they know who can help them with technical that-side of their work which is partly government and partly political. For them, the following rules will apply

- a) Only Cabinet Ministers so entitled and only after personal approval of a named person by me. Not more than one each.
- b) They must be on a defined point in a recognised scale. We can't have a special scale for each person. The starting point will be difficult but not impossible to decide.
- c) Must be positively vetted. Rules to papers to be determined by own Ministers.

## 2. Professional (i.e. expert) Advisers.

I welcome these. Only Cabinet Ministers entitled to recommend. Must be on recognised pay scale suitable to their qualifications. There may be exceptions which have to be dealt with individually. Must be positively vetted. Rules to be determined by Ministers. A.S.

## PROPOSALS FOR A REVISED PAY SYSTEM FOR SPECIAL ADVISERS

Introduction

Experience gained over the last few years has allowed the essential features of stable pay arrangements for Special Advisers to be clearly identified. This is an area where formal regimes of the kind which govern the career Civil Service may appear unduly constrictive; but it is also the case that an unregulated approach - individual rates, adjustable not at all or only in response to personal or ad hoc pressures - would equally be unsatisfactory, to Ministers, to the taxpayer and to the Advisers themselves. It is desirable that starting pay should be fixed from the outset at a competitive and generally acceptable rate. Second, this rate should thereafter be automatically adjusted to take account of the movement of comparable rates elsewhere in the Civil Service, and to reflect to an appropriate degree the growth of an Adviser's expertise in his job. The operation of these procedures should continue to be subject to the Minister for the Civil Service, namely the Prime Minister, and administered on a day-to-day basis by the Civil Service Department.

The pay range

The proposed scheme provides for each Special Adviser to be placed on appointment on one of 31 salary points. These points currently take account of Inner London Weighting and cover a range between £3969 pa and £17,814 pa and each point equates to a point on a recognised and well used scale elsewhere in the Civil Service. The progression of points is more or less regular except for two discontinuities which divide the whole range into three unequal sections (see Table attached).

It is envisaged that the central section, consisting of 15 pay points, will accommodate nearly all Special Advisers; the two extremes will provide freedom to deal appropriately with exceptional circumstances. Thus, the top section consisting of the two top points will take the most senior Advisers. This is, those Advisers

who are agreed, because of their acknowledged eminence or status and consequent high market value, to merit remuneration above that of the majority of their colleagues. On the other hand, the bottom section of the range consisting of 14 points serves to accommodate Special Advisers who are under 26 years old when appointed, but who perform what are generally accepted as being the full duties of a Special Adviser. It is envisaged that should their 26th birthday occur during their appointment then they should move automatically on to the lowest point of the middle section. In addition, the bottom section of the range is appropriate for those, of whatever age, who are recruited to perform, within the foreseeable future, something less than the full duties of a Special Adviser.

#### Starting pay

The most senior Advisers will be appointed to one of the two highest salary points, equivalent to the rates for Deputy Secretaries and Under Secretaries in the Home Civil Service. For the other Advisers, starting pay will be individually calculated by the Civil Service Department in consultation with the employing department by reference to whichever is the lower of:

- (a) his estimated value to the employing Minister; and
- (b) a negotiated figure of not more than 10% of his market value objectively ascertained, chiefly by reference to his existing or previous outside remuneration. Liability for continuing outside pension scheme payments may be taken into account, but fringe benefits and fee earnings from writing and lecturing and so on will normally be set aside, since they are irregular and not reliably quantifiable. The actual salary to be offered will be the specific scale point which is most appropriate in the light of this "market value", and the proximity of the commencement date to 1 April, when the equivalent Civil Service rates are normally reviewed.

#### Salary progression

There are two kinds of salary progression only. All salaries are reviewed on the same date - 1 April - and will be adjusted to keep

pace precisely with their respective Civil Service analogues. In addition to this annual pay review, some incremental progression is considered to be appropriate for Advisers (other than the most senior) during their early years, as follows:

- (a) those on the bottom section of the range will receive one scale increment on each of his or her first three anniversaries of appointment, provided the top of that section is not thereby exceeded;
- (b) Advisers who enter at or below the 6th point of the middle section will receive two annual increments;
- (c) Advisers who enter at or above the 7th point of the middle section will receive one increment.

Salaries will not be increased for any other reason, for example, because "deserving of promotion", "up-grading", "graduation to more responsible duties", or because a Special Adviser stays with a Minister who moves to a more responsible post.

#### Procedure

It is proposed that the practice governing the initial determination and subsequent adjustment of Special Advisers' pay should be as follows:

- A. When a departmental Minister is considering making a new appointment, he should:
  - (i) not enter into any commitment whatever regarding the salary which may be payable to a particular candidate with whom he may be in communication;
  - (ii) when putting forward a name for the Prime Minister's approval, specify how he would like to see his nominee paid, whether from the middle section of the range (the normal case), or exceptionally from the top or bottom sections, and should give reasons if the preference is for either of the last two.

MANAGEMENT IN CONFIDENCE

- B. After the Prime Minister has authorised a new appointment the letter from No 10 saying so should specify the section from which pay is approved, and also include a reminder that the amount of salary payable must be agreed between the employing department and the CSD (Pay 5 Division) before an appointment is formally offered.
  
- C. Once a new Special Adviser's salary has been agreed with CSD, and he has taken up appointment, the employing department's Personnel Division may authorise whatever annual pay increases (from 1 April) and annual increments (from the anniversary of appointment) are allowable under these guidelines in each individual case, but should keep CSD (Pay 5 Division) informed of all adjustments made.

Table: Salary Points for Special Advisers (£ per annum; Inner London)

<u>From 1 April 1979</u>		<u>From 1 April 1980</u>
17,814*		20,000*
15,238*		16,524*

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	<u>From 1 August 1979</u>	<u>From 1 January 1980</u>	
13,902	14,515	} Not yet fixed	
13,559	14,157		
12,843	13,408		
12,127	12,659		
11,471	11,973		
10,993	11,474		
10,396	10,849		
10,039	10,475		12,274
9,680	10,100		11,774
9,352	9,757		11,274
9,053	9,445	10,874	
8,756	9,133	10,474	
8,457	8,821	10,074	
8,189	8,540	9,724	
7,926	8,266	9,374	

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6,757	7,043	7,774
6,541	6,817	7,374
6,350	6,617	7,099
6,159	6,418	6,874
5,969	6,218	6,674
5,803	6,044	6,474
5,567	5,796	6,224
5,254	5,469	5,849
5,044	5,207	5,574
4,785	4,978	5,274
4,565	4,747	} 5,024
4,345	4,518	
4,158	4,322	} 4,724
3,969	4,125	

\*Subject to review