

**CONFIDENTIAL**

b.c. Mr. Vereker  
Mr. Duguid



10 DOWNING STREET

*From the Private Secretary*

27 April 1981

CIVIL SERVICE PAY

The Prime Minister has read Sir Ian Bancroft's letter of 24 April to Sir Douglas Wass. As I told you on the telephone, her initial reaction is that the draft terms of reference for the proposed inquiry, which was enclosed with Sir Ian's letter, are too narrow: she would prefer a wider ranging inquiry which would cover such major issues as structure and organisation as well as pay and grading. She also does not see why those civil servants whose salaries come within the remit of the Top Salaries Review Body should be excluded from the inquiry. In addition, she believes the preamble to the draft needs to be improved, and would prefer something on the following lines:

'Having regard to the public interest in the recruitment and maintenance of an efficient Civil Service; to the need for the Government to reconcile its responsibilities for the control of inflation and public expenditure with its role as an employer; to the need to maintain good industrial relations and to avoid disruption; and to the experience and difficulties of operating the existing arrangements in recent years.'

I am sorry not to have got these comments to you before Sir Ian's meeting this morning. However, you told me that they could still be taken into account in the Lord President's submission to the Prime Minister.

I am sending copies of this letter to the Private Secretaries to Sir Robert Armstrong, Sir Kenneth Barnes and Sir Douglas Wass.

T. P. LANKESTER

Jeremy Colman, Esq.,  
Civil Service Department.

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