

cc Mr Ingham
Mr Vercker



PRIME MINISTER

Happy with this draft?

The FT already know about it
(before it even reached us today) -

so shall we make the announcement
on Tuesday, which is the earliest
possible day?

PRIME MINISTER

Agreed not

NEW ARRANGEMENTS FOR PUBLIC BOARD SALARIES

(previous papers attached)

On 16 February you agreed to the proposed new arrangements for determining Public Board salaries set out in my minute of 23 January. In that minute I recommended that we should stand firm on three outstanding issues raised by the Nationalised Industries Chairmen's Group. We decided that:-

MS
3/4

- a. there could be no automatic implementation of increases to TSRB 14 levels during the next year or so;
- b. we should reject the proposed "board fee plus executive salary" arrangement;
- c. we should insist that "the general economic climate" should be a separate factor to be taken into account in considering pay increases.

The Chairmen's Group has now said that, while they do not accept fully the proposed new arrangements, they are prepared to adopt them as a basis for trial from 1 April 1981.

The arrangements can now be announced. I suggest that this might be done by means of an arranged PQ. I attach a draft for your consideration. If you agree, perhaps your office would keep mine in touch with the timing.

x a written

I am copying this minute to members of E, and to George Younger, Nicholas Edwards, Norman Fowler and Sir Robert Armstrong.

SOAMES

2 April 1981

DRAFT ARRANGED PQ AND ANSWER

QUESTION

To ask the Prime Minister what new arrangements she is making for determining the salaries of the chairmen and members of the boards of nationalised industries.

ANSWER

I announced on 7 July 1980 that the Top Salaries Review Body would no longer be asked to advise on the salaries of the chairmen and members of nationalised industry boards and that in future these salaries would be determined by the Minister concerned in each case with the approval of the Minister for the Civil Service. Under the new, more flexible, arrangements ~~with which take effect from 1 April 1981~~, salary increases will be based on managerial and market considerations and not on traditional comparisons and ranking. Chairmen and non-executive directors will have an important role and will make recommendations on the pay of full-time board members to the appropriate Minister. Salary increases will normally take effect on the same date as those for the management staff in the industry concerned. Factors to be taken into account will include the need to recruit able enough people to the board, whether from inside or outside the industry; the need to retain and reward board members of experience and ability; internal differentials between board members and senior management staff; the performance of the industry; and the general economic climate.