



Chancellor of the Duchy of Lancaster

NBP at this stage

C C VEG

PRIME MINISTER

FUTURE OF TSRB

at flap Pt 7  
 You are to hold a meeting on 16 January to discuss Nigel Lawson's minute of 28 October and the subsequent correspondence. I regret that I shall not be able to be present.

The TSRB is a vestige of the idea that the pay of public servants should be determined by comparability. The row that followed the last pay settlement shows the failings of such an idea. The terms in which the settlement was most successfully defended was the need to recruit and, more significantly for this group, retain the right calibre of staff; or, less convincingly, that we should honour the results of such a review body.

It is to the former argument that we should look. We should aim to have a method of determining pay for these groups which allows us to meet the needs of the public service. As Nigel says in his minute, it is a mistake in these terms to look at "top salaries" horizontally. We need to look separately at each group.

For both the senior civil service and the Armed Forces, existing pay review machinery gives a basis for considering the relativities of more senior grades and senior management development needs. For the judiciary, Quintin Hailsham's minute shows that a direct and market-related test is available, in the willingness of barristers to accept a judicial appointment.

I therefore agree with Nigel that we should redesign our method of determining "top salaries". But I do not believe this requires that the TSRB should be abolished. That would be interpreted as a recantation of the decision we took in the summer. Nor would it command public confidence if senior civil servants were seen to be able to negotiate their own pay.

It may well be better to keep the external format of the TSRB, whilst re-orientating its method of working. For example: rejecting comparability; horizontal job linkage only where justified by a direct comparison of work (eg. Michael Heseltine gives as an example the Major General/Grade 3 link although I am not sure that is a valid one), looking to market-related and practical tests of the ability to retain necessary staff, and of simple vertical relativities; each of these could be incorporated into the TSRB's terms of reference. In sum, they may remedy many of its deficiencies.

For the present the TSRB should be engaged in limited up-rating reviews. This should give us a breathing-space to reform its methods of working. If we cannot satisfactorily do so, then we should abolish it before it is due to make a further major revision of the salary structure.

I am copying this minute to Quintin Hailsham, Nigel Lawson, Michael Heseltine, John Biffen, Richard Luce and to Sir Robert Armstrong.

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NORMAN TEBBIT

8 January 1986

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