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## MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

## DISCRETIONARY INCREMENTS FOR GRADES 2 AND 3

I have now seen the submission which Sir Robert Armstrong and Sir Peter Middleton put to you on 21 March. I have also read with interest Sir Robin Ibbs' minute of 4 April and the Chancellor of the Exchequer's minute of 8 April.

I gather that we now have a little more time as the TSRB will be presenting their 1986 Report to you this week, without waiting for the Government's decision on discretionary increments for Grades 2 and 3.

For my part I favour the introduction of some form of discretionary performance-related element into remuneration of Grades 2 and 3, as being consistent with our general drive for the improvement of management efficiency in the Civil Service, and I do not think we should turn the Review Body's recommendation down out of hand. But I do take the Chancellor's political point and I think it is important that any announcement of further increments for Grades 2 and 3, even on a discretionary basis related to performance, should be set within a wider context. One possibility would be to make a more general statement on performance-related pay - perhaps including a statement of intent to make increments at all levels discretionary rather than virtually automatic - in the summer, when we will have had the evaluation report on the first year of the experimental performance bonus scheme. Another would be to make such a statement at the time of your announcement on the TSRB's 1986 Report.

I welcome your proposal to have a discussion, in which we could explore further the above possibilities.

I am copying this to the Chancellor of the Exchequer, Sir Robert Armstrong, Sir Peter Middleton and Sir Robin Ibbs.

RICHARD LUCE

10 April 1986





Civil Service;  
Long Term  
PE 18

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