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Pt 3.

CONFIDENTIAL

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PRIME MINISTER

The Review Bodies: Membership and Terms of Reference

(E(80) 59)

BACKGROUND

In previous discussion it was agreed that further thought should be given to the possibility of tightening the terms of reference and changing the membership of the three Review Bodies - the Armed Forces Pay Review Body (AFPRB), the Doctors and Dentists Review Body (DDRB) and the Top Salaries Review Body (TSRB). The Lord President's note covers a report by officials on these issues.

2. The note by officials points out that, while the members of the TSRB can be changed at any time, those of the other two bodies have fixed appointments and for the most part the terms of the present members continue until the end of 1981 or 1982. It goes on to make the obvious point that any blatant attempt to alter the membership in order to encourage recommendations more in accordance with the Government's wishes might easily backfire. The doctors and dentists could be particularly troublesome in this respect (you will remember that last year they were arguing for the DDRB to be slanted more in their direction). And of the three Review Body groups the doctors and dentists alone have the power to cause real trouble and expense to the Government.

3. On terms of reference, officials point out that it is open to the Government to submit evidence to the review bodies about economic considerations which should be taken into account, and that this could be done with or without a change in the terms of reference. The risk of changing the terms of reference is that the Government could then reduce its freedom for manoeuvre since it might be difficult to reject recommendations which the Review Bodies claimed already took account of economic considerations as put to them by the Government.

4. In his letter to you of 16th July Lord Boyle advises against changes in the TSRB's terms of reference. He would prefer an informal understanding whereby before the Review Body reached conclusions they could receive oral evidence from senior Ministers on the Government's overall view of the pay situation. Since then you have discussed these matters with Lord Boyle and may wish to convey the results to your colleagues.

Item 1

5. In his memorandum (E(80) 71) the Chancellor of the Exchequer agrees that the terms of reference should not be changed; in part because he fears that the spelling out of the need to take account of economic factors would lead to pressure to specify other factors also, such as the role of comparability. He does not ask for any changes in membership apart from care in the making of new appointments. He recommends an announcement that the Government intends that the pay levels of groups covered by the review bodies should be fixed at levels which take economic considerations into account.

HANDLING

6. After the Lord President and the Chancellor of the Exchequer have spoken the Secretary of State for Defence and the Secretary of State for Social Services may wish to comment on the AFPRB and the DDRB. The Chancellor of the Duchy of Lancaster and the Lord Chancellor may wish to comment on their interests in the TSRB.

7. There is likely to be broad agreement that no specific new measures should be taken to change the terms of reference or the membership of the Boards. Subject to this the main questions are:

(i) Should Ministers offer informal advice on economic considerations to each of the Boards?

This would meet Lord Boyle's proposal and could also apply to the two other Boards. Although the advice would be informal, Ministers would have to recognise that it would probably become public knowledge.

(ii) Should the relevance of wider economic considerations be announced?

This is the proposal in paragraph 17 of the Chancellor of the Exchequer's paper (E(80) 71). He wishes to announce this decision at the same time as those on Pay Research and Clegg. It would be bound to provoke questions over who would advise on such economic considerations and how. The Committee will wish to consider whether it could lead to pressure for the Government to set out its position formally rather than informally.

(iii) What needs to be done on the proposal to link MPs' pay with that of the Civil Service?

The Committee might invite the Chancellor of the Duchy to consider this further with the Lord President and the Chancellor and to make proposals.

(iv) Are the arrangements for the nationalised industries now satisfactory?

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There has been an extensive correspondence on the Lord President's minute of 1st July to you about these new arrangements. The Lord President will wish to consider these comments and we will advise you on whether a separate discussion is necessary.

CONCLUSIONS

8. In the light of the discussion you will wish to record conclusions:

1. Agreeing that the terms of reference of the Review Bodies and their membership should not be changed, except in the normal course of making new appointments.

2. On whether informal advice should be given to each of the bodies on economic considerations.

3. What should be said publicly, and when, about the relevance of such wider economic considerations.

4. Inviting the Chancellor of the Duchy of Lancaster to consider further, in consultation with the Lord President and the Chancellor of the Exchequer, the proposal that the pay of MPs should be linked to that of a Civil Service grade.

RtA

(Robert Armstrong)

22nd July, 1980