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To do what SPS wants would be to fly in the face of the Council's decision and be disobedient at the present time. I expect PRIME MINISTER Mr L.P. need.

Now - are we really paying Vice-Chancellors £30,000? no

Prime Minister

This is a dispute between Lord Soames and Mr Younger about the implementation of Cabinet decisions on TSRB in relation to the Highlands and Islands Development Board. I think Mr Younger's case is "special pleading" which will undermine our case on the other top salaries; and he ought to have raised the matter at the time. I am sure Lord Soames is right to reject it. Agree?

HIGHLANDS AND ISLANDS DEVELOPMENT BOARD

Flay A

As George Younger says in his minute to you of 5 September, he and I have been corresponding about the salaries to be paid to the Highlands and Islands Development Board following our decision on TSRB 14. I am quite clear that to pay the sort of increases he proposes - they range from 42% to 62% - would run completely against our decision to limit increases to 10-13%. 19/9

He regards the treatment of HIDB as unjust because the degree to which the increases Lord Boyle recommended for them have been reduced is greater than for the general run of boards. This is simply because the recommended increase was that much greater. HIDB was brought into TSRB for the first time this year and Lord Boyle recommended that it should be in the same group as the Commonwealth Development Corporation for salary purposes. This involved an increase of 56%-75% as opposed to the general level of about 25%. But when we discussed in Cabinet the very similar cases of the British Transport Docks Board (BTDB) and the National Water Council (NWC), for whom higher than average increases had also been recommended, we agreed that they should be kept to the same reduced level as all the others. There seems to me no doubt that had George Younger raised the question of HIDB then, we would have made a similar decision.

There do not seem to be any aspects of this case which distinguish it from the others sufficiently to justify an exception being made. The question of the chairman's pension about which George Younger is particularly concerned must wait until MPs vote on their pensionable pay. The possible need for a higher rate for a new chairman does not affect the question of the rate for the present incumbent. We agreed a distinction should be made between the salary for those already in post and the rates needed to attract new recruits. The situation where chairmen and board members see their successors paid more than themselves is therefore bound to arise and we must live with it.

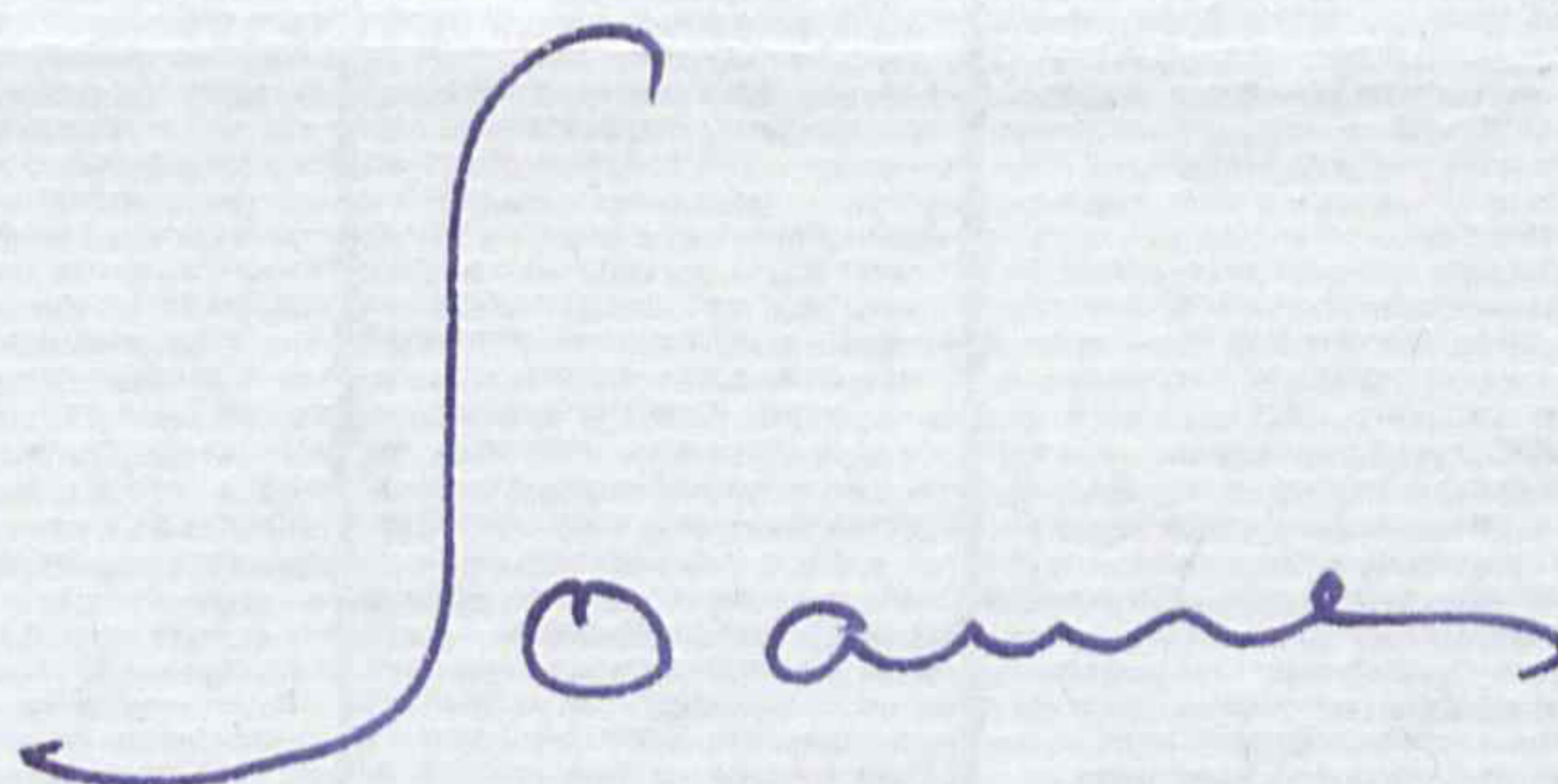
To give a higher increase in this case would make it very difficult to refuse others whose recommended increases were particularly restrained. We would certainly be under pressure on the BTDB and NWC and also on the Electricity Boards. Our

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decision has led to some rather rough justice, but this is a necessary consequence of the firm line we have felt it right to take on these salaries. I therefore recommend that George Younger's proposal be rejected.

If, however, you felt disposed to make an exception in favour of the HIDB it would be important to know whether colleagues could live with this without reopening decisions in other cases.

A handwritten signature in blue ink, appearing to read "Soames". The signature is written in a cursive style with a large initial 'S'.

SOAMES

17 September 1980

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NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

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Prime Minister

*To await a contribution
from Lord Soames.*

*AKH
Sis*

HIGHLANDS AND ISLANDS DEVELOPMENT BOARD: SALARIES FOR CHAIRMAN AND MEMBERS

Following our decision on the size of salary increases for Chairmen and members of bodies under TSRB's remit, which you announced on 7 July, I have been corresponding with Christopher Soames about the case of the Highlands and Islands Development Board. We have not been able to reach agreement. I believe that the manner in which he proposes to apply our decision on abatement is unnecessarily harsh and will cause serious personal injustice to the individuals concerned, especially the Chairman. It also runs counter to our expressed intention of preserving generally the pattern of differentials and relativities recommended by the TSRB.

Of course I support entirely the decision we took in Cabinet that pay increases recommended by TSRB for Chairmen and members of public bodies should be abated. We did not however discuss in detail how to treat the two bodies which came within TSRB's consideration for the first time this year - the Crown Agents and HIDB. Their inclusion within the Review Body's scope has enabled their functions and responsibilities to be properly assessed for salary purposes against those of a range of other public bodies; HIDB's salary position has fallen seriously behind that of other comparable bodies over recent years, and its inclusion under TSRB was intended to rectify this. The Review Body recommended that both should be placed for salary purposes in the same group. Presumably because the existing Crown Agents' salaries were much higher than those for HIDB the Crown Agents are to receive the same treatment as the other bodies in the group. For HIDB, however, Christopher has interpreted the Cabinet decision on abatement to mean that the Board's salaries must be restricted so that the Chairman is to receive about two-thirds of the other Chairmen in the group and members between 66% and 82% of the salary scales agreed for the group.

The effect of this decision in terms of individual salaries is considerable, as the figures in the attached Annex demonstrate. For instance the discrepancy to which I have referred means that the Chairman of HIDB will receive nearly £10,000 less than the other Chairmen in the TSRB group.

I cannot regard the new Board salaries as simply an unfortunate consequence of the application of a general rule, and I believe that I am right to ask for a review of the case because it is a singular one. If we treat the HIDB in this way we will be seen to be arbitrarily rejecting a careful assessment and a clear recommendation about grading and relationships with other bodies. It will also be seen to be discriminatory because the sacrifice we are demanding of the Board's Chairman and members is much greater than the amount given up by those of any other body in the public sector. I do not see how this can be defended as logical or equitable; and I very much doubt if we intended our Cabinet decision on the Review Body's recommendations to be applied in this way with unduly harsh consequences in this one instance.

I am in a particular difficulty because Sir Kenneth Alexander, who has been an outstanding Chairman, has been extremely helpful over the date of his departure to take up appointment as Vice Chancellor of Stirling University. Although the University would like him in post immediately, he has undertaken to delay his move until I find his successor. This may now be at some cost to himself because his University remuneration will be of the order of £30,000 per annum; and if we adhere to our decision on notional pay, the pension consequences will be very serious for him.

Christopher would have no objection to my offering Sir Kenneth's successor a salary greater than that now to be paid to him. I shall certainly need this flexibility, and no doubt shall have to determine quite soon with Christopher the higher salary necessary to attract a suitable candidate. The Chairman is full-time and must live in Inverness; he combines the functions of Chief Executive and Accounting Officer. His work is therefore complex and demanding. He must show qualities of positive leadership and wise judgement, must be able to draw on a background of achievement and experience in other spheres, and must have administrative ability of a high order. A poor Chairman would cause me serious embarrassment, and would affect the Government's standing in Scotland. At the same time it will not be easy to find the right candidate, prepared to give up present interests and to move to Inverness unless I can offer an adequate and attractive salary. I have already had two refusals for the post. I recognise that the Cabinet decision allowed for a reassessment of salary on a new appointment; but it would be grossly offensive to Sir Kenneth if I were to pay a new man very substantially more than the salary proposed by Christopher, which Sir Kenneth regards as indefensible. Moreover the facts of the situation would certainly become public knowledge in Scotland, would expose the inequity of our treatment of the Board and would lay us open to widespread criticism. This is the kind of situation which discourages the recruitment of able and well-intentioned people to the public sector.

I hope therefore that you can agree to HADB being placed in the category recommended for salary purposes by the Review Body, subject to the restraint we have put on the salary levels proposed by the Body for that category.

I am copying this to Christopher Soames.

A.Y.

5 September 1980

HIGHLANDS AND ISLANDS DEVELOPMENT BOARD

SALARIES OF CHAIRMAN AND MEMBERS

1. Salaries to 1 April 1980:

Chairman*	Deputy Chairman	Full-time Members
£18,810	£15,400	£14,225

* (The present Chairman received £19,915 to 1 April with consolidation of his fee for part-time membership of the Scottish Development Agency.)

2. Salaries from 1 April if TSRB's recommendation for HIDB was implemented but subject to the general abatement applied to the Review Body's recommendations:

Chairman	Deputy Chairman	Full-time Members
£30,500	£22,000 - £27,500	£18,000 - £22,500

(TSRB recommended in its 14th Report that HIDB be included in the tier of bodies headed by the Commonwealth Development Corporation.)

3. Salaries announced for HIDB from 1 April:

Chairman	Deputy Chairman	Full-time Members
£20,500*	£14,500 - £20,000	£13,750 - £18,500

* (£21,700 with consolidation of SDA fee.)



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The U.C.C. number very well off. Don't think not.

You queried the Vice-Chancellor's salary

Tim Lankester Esq
Private Secretary
No 10 Downing Street
LONDON SW1

9 October 1980

at Aberdeen.

Dear Tim,

CHAIRMAN OF THE HIGHLANDS AND ISLANDS DEVELOPMENT BOARD

14/10

Thank you for your letter of 22 September recording the Prime Minister's views on the question of the HIDB Chairman's salary.

You asked more generally about the salaries of University Principals in Scotland, but I fear we have very little information on this. The information about the salary of the Principal of Stirling University came from Sir Kenneth Alexander himself. We happen to know (because the Principalship at Aberdeen University is a Crown appointment and is currently being advertised) that the salary being offered in Aberdeen is £30,000 plus a house, a car and entertainment expenses.

We have consulted the University Grants Committee and have been told that they do not fix Principals' salaries nor recommend to universities bands within which they are expected to operate: it is for each university to determine the salary payable to its own Principal. From what they have told us, however, we gather that the salaries at Aberdeen and Stirling are broadly in line with those at other universities.

Since salaries in universities lie within the responsibility of DES, I am copying this letter to Peter Shaw.

*Yours ever,
Godfrey Robson*

GODFREY ROBSON
Private Secretary

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vb

*Grant
R*

B/F 29 10 80

22 September 1980

I have written separately on the Highlands and Islands Development Board salary question. But I should record also that the Prime Minister has queried the statement in Mr. Younger's minute of 5 September that Sir Kenneth Alexander's remuneration when he becomes Vice Chancellor of Stirling University will be of the order of £30,000 per annum.

Could you please let me have a short note on Vice Chancellors' salaries in Scotland?

TPL

Godfrey Robson Esq
Scottish Office

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10 DOWNING STREET

From the Private Secretary

22 September 1980

Highlands & Islands Development Board

The Prime Minister has now considered the Secretary of State for Scotland's minute of 5 September and the Lord President's of 17 September about the salaries payable to the Chairman and members of the Highlands and Islands Development Board. She is not able to accept Mr. Younger's proposals on this matter, and she goes along fully with the Lord President's interpretation of the Cabinet decision. She feels, in particular, that to accept Mr. Younger's proposals would be disastrous from the point of view of the coming pay round.

I am sending a copy of this letter to Godfrey Robson (Scottish Office).

T. P. LANKESTER

Jim Buckley, Esq.,
Lord President's Office.

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