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Whitehall London SW1A 2AZ
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From the Private Secretary

6 November 1980

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

Dear Tim,

... I attach the brief which you requested for the Prime Minister's lunch with the Top Salaries Review Body tomorrow.

I am copying this to Michael Collon in the Lord Chancellor's Office.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

TOP SALARIES REVIEW BODY: LUNCH WITH THE PRIME MINISTER

The Top Salaries Review Body are coming for lunch with the Prime Minister on Friday, 7 November. The Lord Chancellor and the Lord President will be attending. Loyd Boyle himself is unable to be present.

2. The lunch has been arranged for some time, primarily as a social occasion, stemming from the Prime Minister's meeting with Lord Boyle on 21 July. Briefing notes on the members of the Review Body and on the points which might arise, mainly relating to the Government's decisions on TSRB reports Nos 14 and 15, are attached.

3. However, although the members of the Review Body may not raise it at the lunch, an awkward question arises about the future work of the TSRB, in the light of the necessity for a low level of pay increases in the public sector. The current position is that the Prime Minister announced in a Written Answer on 4 August that the three pay review bodies should continue to make recommendations on the groups within their terms of reference. The Prime Minister has also told Lord Boyle that, as he suggested when they met on 21 July, the Government will consider putting in evidence on relevant economic considerations during the course of the TSRB's deliberations.

4. If the question of the future of the TSRB does come up at the lunch, the Prime Minister may wish to stress the overriding need for public sector pay increases to be kept low, but to say that the Government has not yet decided exactly how to deal with top salaries in the forthcoming round and that she will be in touch with the TSRB about this as soon as possible. It would be best to avoid any substantive discussion on this point, especially since Lord Boyle himself will not be present and we understand that he would prefer to deal with the matter in correspondence.

Confidential background note

The difficulty of reconciling the Review Body system in the coming round with a pay factor announced for cash limit purposes is even more acute in the case of the TSRB than with the other two Review Bodies, because the other Review Bodies' recommendations for last April were implemented in full, while the TSRB's were cut by half. This means that increases averaging about 12% would be necessary next April for the TSRB groups to bring them up to the recommended levels for last April. (In the case of MPs the figure is about 5% and the operative date June). Even if the TSRB give weight to the Government's evidence on the state of the economy they may be very reluctant to make recommendations for lower salaries in April 1981 than they recommended for April 1980. The main options for Ministers would therefore seem to be as follows, none being without difficulty (and it is not suggested that specific options should be discussed with members of the Review Body at this stage):-

(a) To leave it to TSRB to decide whether to go ahead with their forthcoming review, but to warn them in advance that the Government will find it difficult to accept recommendations which are inconsistent with the Government's approach to pay for the public services this year.

(b) To suspend the TSRB for this round.

(c) To abolish the TSRB.

Both (b) and, to an even greater extent (c), would be difficult to reconcile with the statement made in August.

2. The future of the TSRB will have to be considered by Ministers at the same time as they make decisions about what should be said to the other two Review Bodies. This is a further reason for avoiding discussion of this issue, except in the most general terms, at the lunch.

TOP SALARIES REVIEW BODY: BRIEFING NOTES

Membership

1. The present membership of the Top Salaries Review Body is:

Chairman:	Lord Boyle
Members:	Andrew Leggatt Esq QC
	Sir Harold Atcherley
	Sir George Coldstream
	Lady Seear
	Lord Hirshfield
	Lord Plowden

... Notes on the members are attached at Annex A. Lord Plowden, Lord Hirshfield, Sir George Coldstream and Sir Harold Atcherley may well be contemplating retirement after this year's Review. Lord Boyle himself is not at all well. Lord Plowden is deputising for him pro tem. We are currently searching for a replacement for Sir John Clark who resigned last year.

Reports Nos 14 and 15

2. The Prime Minister may wish to reiterate to the full Review Body the reason for the Government's decision to reduce the increases which the Review Body had recommended in their last two reports, Nos 14 and 15. In order to combat inflation the Government considered it essential that the rise in average earnings be reduced and that these top public sector groups should give a lead. In the words of the general commitment to accept Review Body recommendations, this was a "clear and compelling" reason for not implementing the recommendations in full.

3. There are various particular problems which have arisen from this decision, some of which were mentioned by Lord Boyle at his

meeting with the Prime Minister. These include:

(a) Judiciary. Lord Boyle was anxious about the salary relationships between judges and barristers which had resulted from the decision in TSRB 14. If the Review Body raise this point again, the Prime Minister might wish to say that she is very conscious of the need to attract good barristers to the bench but it would not be right wholly to exclude the judiciary from any general restraint in public sector pay increases.

(b) Higher Civil Service

The Review Body may question the Government's decision on the Under Secretary rate, since they had specifically been asked to examine the problems of the interface between that rate and the Assistant Secretary rate, where differentials had narrowed in recent years. They had consequently recommended a sufficient increase to maintain a differential which the Government then reduced. The Prime Minister will wish to point out that the Government held down the increases for Assistant Secretary and Senior Principal as well, so that differentials were maintained to the extent that was possible within the wider constraints of economic targets. She may also wish to add that the problem may arise because pay research procedures do not take sufficient account of considerations such as job security. Sir Bernard Scott's inquiry into the value of civil service pensions and job security will report before the end of the year and its findings should help to establish how far this is the case.

(c) MPs' Pay

Members of the Review Body will be aware that MPs voted in July to link their pay with that of a public sector grade. They will also know that the Government has recently circulated a factual paper to all MPs which

sets out the arguments against linkage but goes on to say that if the House of Commons insisted on it, it would be important to devise a scheme which avoided the worst disadvantages. The Review Body has recommended strongly against linkage on several occasions. The Prime Minister might wish to reiterate that the Government are opposed to linkage, for very much the same reasons as the Review Body, and will attempt to dissuade the House from pursuing it. The scheme outlined in the factual paper is very much a second best. Members of the Review Body may ask for more details of this scheme. They are given in Annex B. The Chancellor of the Duchy of Lancaster is currently consulting the Parliamentary parties about linkage and the House will be debating the issue again in the near future.

There are two other outstanding issues arising from the consideration by the Commons of TSRB Report No 15, though they are likely to be of less concern to Review Body members. The first is the vote by the House to give MPs the full TSRB recommended salary rate of £13,750 for pension purposes. The Government is urging the House to accept £13,150 and feels that if the full rate is given to MPs, it will be virtually impossible to deny it to the other groups in TSRB whose salary increases were curtailed in the same way as that of MPs. The second issue is the demand by MPs for a faster accrual rate for their pensions. The Review Body recommended this year (TSRB Report No 13) against any change in the accrual rate and the Government is of the same mind. Both these issues will also be debated again by the House.

(d) Nationalised Industry Board Salaries

These have now been removed from the TSRB's remit, as they themselves recommended. The Prime Minister will remember that new flexible arrangements

for these salaries were agreed among Ministers in July. These are being discussed by the Nationalised Industries Chairmen's Group.

4. Range Pay for Higher Civil Service

There have been developments on the question of range pay for the Higher Civil Service. The Review Body members are aware that the Government is considering the relationship between pay and performance. They have expressed approval of the idea of range pay in the past. They have not yet been consulted on the details of the pilot scheme for Under Secretaries currently under discussion. The Prime Minister may wish to tell them that the intention is to invite their comments on this scheme before it is implemented.

Review Body members may be concerned that acceptable levels of increase for 1981 will not leave room for the introduction of a sufficiently wide salary range for the pilot scheme to be effective. The Prime Minister may wish to say that this is one of the considerations which Ministers will need to bear in mind, when they make decisions later this year.

5. Lords Ministers' Pay

In her statement on 7 July on the Government's response to TSRB Reports Nos 14 and 15, the Prime Minister said,

"Although Junior Ministers in the House of Lords now receive a secretarial allowance of £1,000, which we propose to increase to £1,100, they do not receive any salary specifically in respect of their parliamentary duties. This is a very real problem, and we propose to consider how the arrangements for their remuneration should be revised to take account of it."

The Review Body have previously considered the case for giving Ministers in the Lords more pay and have rejected it. Review

Body members may therefore want to ask about Government thinking. The Prime Minister might wish to say that Lords Ministers have similar departmental duties to Commons Ministers but they also have to undertake a good deal of work in the Lords on behalf of other Departments. Yet as they have no parliamentary salary their total remuneration is significantly less than that of their Commons colleagues. The Government have not yet made final decisions. (As the Prime Minister will recall a group of officials have reported on what might be done and Cabinet is due to discuss the issue on 13 November).

TOP SALARIES REVIEW BODY

Chairman:

The Rt Hon Lord Boyle of Handsworth (57)

Vice-Chancellor of Leeds University since 1970. First appointed Chairman of TSRB in 1971. Former MP 1950-70 and Minister at HM Treasury and Department of Education and Science. Trustee of the British Museum and President of the Institute of Public Administration.

Members:

Sir Harold Atcherley (62)

Formerly Personnel Co-ordinator, Royal Dutch Shell 1964-70 and Recruitment Adviser to the Ministry of Defence 1970/71. Appointed Chairman of the Armed Forces Pay Review Body and Member of TSRB in 1971. Chairman of Tyzack & Partners since 1979.

Sir George Coldstream QC (72)

A barrister and former Permanent Secretary to the Lord Chancellor 1954-1968. Member of TSRB since 1971. Part-time Chairman Industrial Tribunals.

Lord Hirshfield of Holborn (67)

Joint Senior Partner Stoy Horwath & Co, Chartered Accountants. Chairman Horwath & Horwath (UK) Ltd Management Consultants & President Horwath & Horwath International. Founder and Chairman Trades Union Unit Trust Managers Ltd since 1961. A former Deputy Chairman Northampton Development Corporation 1968-76. Admin Trustee Chevening Estate since 1970. Member TSRB since 1975.

Andrew Leggatt QC (50)

Recorder of the Crown Court since 1974. A QC since 1972. ACAS Arbitrator since 1974. Appointed to TSRB in 1979.

Lord Plowden (73)

President Tube Investments since 1976 (Chairman 1963-76). Chairman Police Complaints Board since 1976. Chairman Police Negotiating Board since 1979. Member of TSRB since 1977.

Baroness Seear of Paddington (67)

Formerly Reader in Personnel Management, University of London. Retired 1973. President of the Institute of Personnel Management 1977-79. President Women's Liberal Federation 1974. President of the Liberal Party 1966-68. Member of TSRB since 1971.

POSSIBLE SCHEME FOR LINKAGE OF MP'S PAY

- i. Every five years or so the proper level of MP's pay would be independently reviewed. Perhaps the Review Body would be willing to undertake these reviews.
- ii. Between reviews MP's pay would increase annually in line with the increases (if any) of a basket of civil service grades.
- iii. The basket would contain a wide range of grades to avoid both the identification of MP's pay with that of any particular grade in the civil service and the idea that the work of MPs could be equated with that of a specific civil service group. The range of grades would be such as to include pay rates both above and below that of MPs so that differential movements in higher and lower rates would be balanced out. A possible basket would include all grades in the Administration Group between HEO and Assistant Secretary plus equivalent grades in the Science and the Professional and Technology groups.
- iv. The pay increase for MPs would be the average of the increases in the maximum of the scale for each grade in the basket.
- v. MPs would continue to have their pay increased on their current review date (13 June) but if there were staging for civil service pay increases, there would also be staging for MPs. If one of the grades in the basket settled late, MPs would get an increase based on the management offer for the outstanding grade which would subsequently be adjusted to take account of the final settlement.

MR. WHITMORE

Prime Minister

Mrs Goodchild,

Concern with the seating plan?

It is a great pity not have Boyle
with us there. table 6 xi
table 5 xi

Lunch for the Top Salaries Review Body
Friday, 7 November

I attach the list of guests attending the lunch
together with a draft seating plan. If you agree the
seating plan, please could it go into the
Prime Minister's box.

Lord Boyle will not now be coming due to a bad leg.

Sue Goodchild

[Handwritten signature]

5 November 1980

LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE PRIME MINISTER
FOR THE TOP SALARIES REVIEW BODY ON FRIDAY, 7 NOVEMBER 1980 AT 1.00 PM FOR
1.15 PM

The Prime Minister

The Rt. Hon. Lord Hailsham of St. Marylebone

The Rt. Hon. Lord Soames

The Lord Plowden

The Lord Hirschfield

Sir Harold Atcherley

Sir George Coldstream

The Baroness Seear

Mr. Andrew Leggatt

Mr. Tim Lankester

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KLE

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Party
members

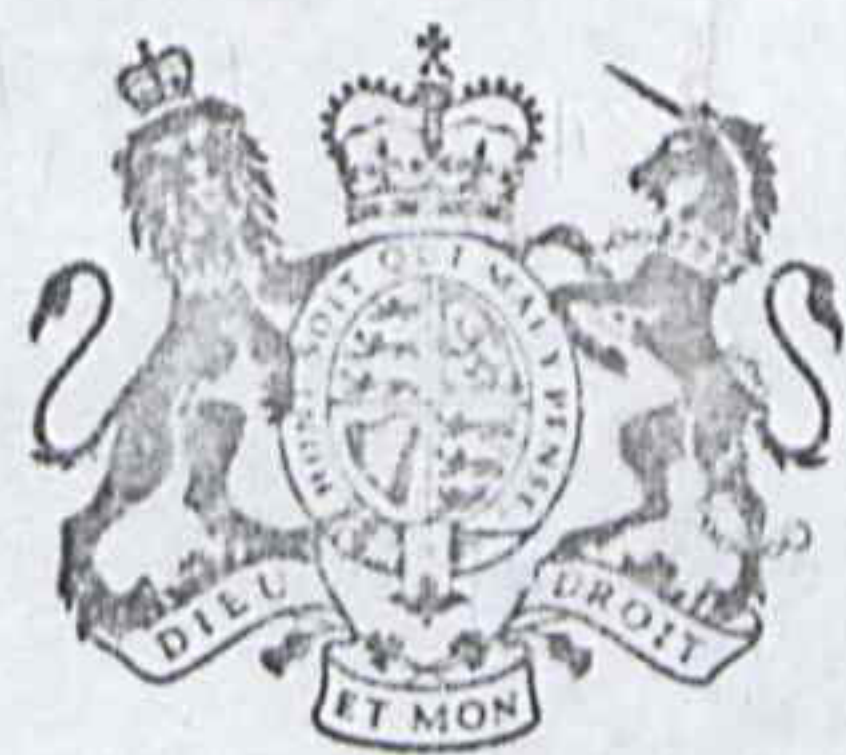
BF 6.11.80

24 October, 1980

Following the Prime Minister's meeting with Lord Boyle on 21 July, she decided that she would like to invite the members of the Top Salaries Review Body to lunch. This has been arranged for Friday, 7 November, and I would be grateful if you could let me have a brief - to reach me by the previous evening.

I. P. LANKESTER

Jim Buckley, Esq
Lord President's Office



10 DOWNING STREET

From the Private Secretary

25 July 1980

BF 11 10.8.80

I gather the Prime Minister mentioned to Lord Boyle when she saw him earlier this week, that she would like to have the members of the Top Salaries Review Body to lunch at 10 Downing Street. I wonder whether Tuesday 14 October would suit Lord Boyle and the others. I know it is rather far ahead but the Prime Minister's diary for lunches and dinners is, unfortunately, booked up until then.

If you think that this is a convenient date we will of course send personal invitations to the others.

CAROLINE STEPHENS

The Private Secretary
to The Rt. Hon. Lord Boyle of Handsworth

14 October does not suit them
so now arranged for Friday
7th November - Sine Goodchild
dealing.

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PRIME MINISTER

PRIME MINISTER

I gather you wish to have a meeting with the Top Salary Review Body, possibly a lunch, in the near future.

I really cannot put anything more into the Recess Diary. Would you be happy for this to take place in the autumn?

AS. Yes
no

24 July 1980

*addresses Responses
Economic
c/o the Secretary*



10 DOWNING STREET

MISS STEPHENS

The Prime Minister wishes to have the members of the Top Salary Review Body to No. 10 sometime in the recess. The members are:-

Lord Boyle

Sir Harold Atcherley

Lord Hirshfield

Andrew Leggatt

Lord Plowden

Baroness Seear

Sir George Coldstream

I would think a lunch would be the best thing. But you will probably want to consult the Prime Minister.

Tina

C.

23 July 1980