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Prime Minister

Ref. A04111

PRIME MINISTER

I am very worried about the (much) request not for publication. Apart from one thing amount suggested by the Lord Chamberlain, and now incorporated in the draft, the Ministers in contact with draft letter attached to this minute.

Top Salaries Review Body: Senior Public Servants

At your meeting with Lord Plowden on 15th January you suggested that, when he had consulted other members of the Top Salaries Review Body (TSRB), he should get in touch with me and report progress.

- 2. He came to see me yesterday morning.
- 3. The discussion went over very much the same ground as your meeting. *9/2*

Lord Plowden said that the amount by which the Government had actually increased the TSRB groups' salaries last year fell considerably short of the Review Body's recommendations in TSRB 14. If the Review Body simply took the existing salary rates and updated them by the sort of figure which the cash limits suggested, the resulting rates could well be lower than those recommended by the Review Body last year. Lord Plowden did not see how the Review Body could do that and retain its credibility.

4. On the other hand, if the Review Body updated last year's recommendations on the basis of external factors and recommended accordingly, the resulting increases would be at levels totally unacceptable to the Government. The Government would be bound to reject them, and it was difficult to see how the Review Body could survive a second rejection.

5. He had now consulted members of the Review Body. Although there was a spectrum of opinions, he thought that they would agree upon an approach on the lines he had suggested at his meeting with you on 15th January. He had discussed the matter with Lord Boyle, who thought that this was the only approach possible in the circumstances. In brief this approach would be as follows. In their published report:

- (a) The Review Body would say that they understood why the Government had not felt able to implement the TSRB 14 recommendations in full, but would express the hope that those recommendations would be

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implemented as soon as possible, and would say that they saw no point in making further recommendations until the previous recommendations had been implemented.

- (b) They would refer to a number of particular areas on which they proposed to take a further look for their next (1982) review - the position of judges, a range of pay for Under Secretaries, etc.

All that would be in the published report. At the same time privately

- (c) The Chairman of the Review Body would write to you indicating that, if the Government felt unable to implement the 1980 recommendations in full, the Review Body would be prepared to advise on how an overall cash figure might be distributed.

6. This approach is set out in rather more detail in a draft letter for me to send to Lord Plowden, a copy of which I attach.

7. I said that I would judge from what you had said at the meeting on 15th January that you would agree that this approach was likely to be 'the best available, but I should need to consult you and your colleagues again. I undertook to go back to him and confirm the approach with him if you agreed.

8. Other points that were made in the discussion were:

- (a) Lord Plowden said that he thought that the Review Body would probably decide that there was a case for increasing the salaries of the higher judiciary by comparison with the other groups in the TSRB's remit. On the approach he had suggested, however, it would be difficult to do much about this until 1982. The Review Body would not in any case want to do a separate review for judges. I said that I thought that, when you had talked about "separate" review, you had not meant that the matter had necessarily to be dealt with in a separate report: the point was that you thought that the Review Body should consider whether, rather than recommend a flat percentage increase all round, the judges should be given higher increases on account of considerations peculiar to them.

- (b) We thought that, if the Armed Forces Pay Review Body (AFPRB) recommended increases substantially greater than those for other public services this year, there could be problems of compression of

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differentials between Brigadiers and Major Generals and their equivalents, but we thought that it would probably be possible to live with anomalies here for another year.

- (c) I said that I noted that one of the subjects which the Review Body was thinking of considering was the relationship between civilian and military salaries at these levels. I thought it unlikely that the Government would want to see any change in existing relativities in the context of the sort of approach envisaged for this year: if there was to be any change, it could only be on the basis of a considered study of the matter by the Review Body. Lord Plowden accepted that.
- (d) Lord Plowden said that the Review Body would also look at the possibility of range pay for Under Secretaries. They were thinking of distinguishing not personal merit but job differences: they had been struck by the wide range of jobs covered by this grade.
- (e) I said that I thought that it would be easier for the Government to skew the distribution of this year's increase in accordance with the private advice of the Review Body, if the general trend of that advice was foreshadowed in the Review Body's account in the published report of the matters to which it proposed to give special consideration for next year.

9. Lord Plowden said that, in order to avoid any possibility of misunderstanding, he thought that it would be useful if I were to confirm details of the approach as we had discussed it in a personal letter to him, which he could confirm as a correct record of our discussion. If we were content to leave it on that basis, he thought (and I agreed) that there would be no need for you to write a letter to him.

10. I am sending copies of this minute to the Lord Chancellor, the Lord President, the Secretary of State for Defence and the Secretary of State for Social Services. I seek your authority to confirm to Lord Plowden that you and your colleagues are content with the approach suggested by Lord Plowden and to write to him in the terms of the draft attached.

RAA

ROBERT ARMSTRONG

28th January, 1981

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DRAFT LETTER FROM SIR ROBERT ARMSTRONG
TO THE LORD PLOWDEN, KCB, KBE

I write to record the outcome of our discussion on Tuesday 27th January.

The problem was to find a basis for this year's report by the Top Salaries Review Body which was realistic and at the same time would preserve the Review Body's credibility and thus its power to be effective in future.

If the Review Body were simply to update the figures which it recommended last year and recommend accordingly, the resulting increases would certainly be at levels which the Government would be unable to accept. It was highly desirable to avoid a second rejection of Review Body recommendations.

If the Review Body updated the rates decided upon by the Government last year, by an amount which reflected the sort of percentage increases that seemed to be emerging for the public services, the resulting rates would certainly be less than the Review Body recommended a year ago. If the Review Body recommended accordingly this year, the Review Body itself - and indeed the whole system of Review Bodies - would lose much credibility.

You therefore had in mind an approach on the lines which you had foreshadowed at your meeting with the Prime Minister on 15th January, as follows:

- (a) In its published report the Review Body would note that their 1980 recommendations in TSRB 14 had not been implemented in full,

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would confirm that the Review Body still considered the rates then recommended to be appropriate (at 1st April 1980), and would express the hope that they would be implemented in full as soon as possible. The report would say that, until such time as that was done, there seemed to the Review Body no basis upon which they could make new recommendations. The report would go on to indicate a number of particular matters to which the Review Body thought it right to give further consideration for their next review: such matters as the pay of judges of the ^{Judiciary,} ~~High Court and~~ ^{upwards}] relativities within the Higher Civil Service, the possibility of a range rather than a flat rate of pay for Under Secretaries, and the relationship between civilian and military salaries at these levels.

LC's amendment.

- (b) At the same time you would indicate privately to the Prime Minister that, if the Government did not feel able to implement the TSRB 14 recommendations in full for 1st April 1981, the Review Body would be willing to advise privately upon the distribution of whatever amount the Government did feel able to make available. The assumption was that this

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would be a figure not out of line with cash limits and with the level of settlements in the public services (particularly, of course, the rest of the Civil Service), though you recalled that at the meeting on 15th January the Chancellor of the Exchequer had indicated that in deciding upon the amount the Government might take into account the fact that the TSRB groups were the only Review Body groups whose recommended increases in 1980 had not been fully implemented.

We discussed briefly how such advice would be sought and given. You thought that the request for and provision of advice on distribution would have to be dissociated from and subsequent to the published report. [Both the offer to give advice and the provision of it would be private, not for publication.] The Government would have to take responsibility for the salary levels determined. I said that I could see that the Review Body might want to avoid a position in which they recommended, even privately, actual rates. One possibility might be for the Review Body to indicate the points at which and the ways in which the ^{increases} distribution should be ^{distributed} skewed from that which would result from an equal percentage increase at all levels; in the light of that advice the Government might then provisionally decide upon a structure of salary rates which could then be shown to and discussed privately with the Review Body, or with you as its Chairman. We agreed that this did not need to be settled at this stage: the best

This will be difficult - because this letter may 'leak'

I am bound to be questioned on this - I am very worried about the "not for publication" suggestion. Can we not take responsibility for the request? And the TSRB would be asked to

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way to proceed could be decided later on, once the general approach had been agreed.

You said that you believed that this general approach should be acceptable to the members of the Review Body. I said that I thought that the Prime Minister was minded to agree that it was likely to be the best available, but that I should wish to consult her and her colleagues again before confirming that. I can now do so.

We thought that, if this was agreed between us, there should be no need for a letter from the Prime Minister: the matter could rest on the basis of this letter as a record of our discussion. I should be grateful if you would confirm that you are content with it as such.

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Ear Pd

MR LANKESTER

Top Salaries Review Body

Robert Armstrong's minute of 28 January reports his discussion with Lord Plowden, and proposes a letter that he might send Plowden recording the outcome.

The approach to the TSRB agreed between Robert Armstrong and Plowden is not entirely along the lines established when the PM saw Plowden on 15 January. When Plowden talked to his colleagues after that meeting, he seems to have found that the TSRB as a whole would not be willing to make recommendations which they know the Government will again reject; and Plowden therefore suggests that they decline to make further recommendations until the 1980 report is implemented, and that any further advice on distribution of a limited amount would have to be entirely private.

This is a reasonable position on the part of the TSRB, but it does imply that the Government's position will have to be brought into the open. If the TSRB are not to make new recommendations, they can scarcely go around taking evidence, and it will become known that the Government has decided that it is not prepared to accept new recommendations. Indeed Robert Armstrong's letter would make it clear in the third paragraph that new recommendations "would certainly be at levels which the Government would be unable to accept" - this may be true, but it goes beyond E Committee's decision to wait until the recommendations are in before deciding what to do with them.

A small point which is also new is that Plowden proposes to make recommendations about range pay for Under Secretaries; Cabinet having already ruled out merit pay, I should have thought it preferable to avoid range pay, which creates similar problems, coming up in this context.

The Prime Minister will wish to have the advice of the Chancellor and the Lord President before replying: if they agree, she could

(a) accept

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- (a) accept that it will become known that Ministers have decided to ask the TSRB not to make new recommendations, and agree Sir Robert Armstrong's draft on that basis;
- (b) but ask Sir Robert Armstrong to tell Lord Plowden we don't want the TSRB to make recommendations on range pay for Under Secretaries.

If they don't agree, this may have to come back to E.

Jr.

30 January 1981

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