



20 37
Civil Service

Treasury Chambers, Parliament Street, SW1P 3AG
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14 December 1982

Michael Scholar, Esq.,
No.10 Downing Street

Dear Michael,

ANNUALITY AND THE REVIEW BODIES

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Your letter of 8 November, which was primarily concerned with the Megaw Report, recorded that the Prime Minister wondered whether we should be encouraging the Review Bodies to move away from automatic annual pay increases.

There is nothing in the Review Bodies' terms of reference which requires them either to carry out a review or to recommend a pay increase every year; they are required simply to "advise the Prime Minister on the remuneration/pay and allowances" of the groups. In general, the Review Bodies carry out annual reviews because they follow current, conventional pay practice (though in the case of the Top Salaries Review Body the then Government announced in December 1974 that it proposed specifically to invite the Review Body to carry out annual reviews for the higher Civil Service, senior armed forces officers and the judiciary).

To preclude the Review Bodies from carrying out annual reviews or from making annual awards before a clear trend away from annual increases has become established in the economy generally, would be strongly resented by the groups on whose pay they report. A particular problem would arise in relation to the Government's commitment to the armed forces. We should also risk creating a 'catching up' problem in the years in which the Review Bodies did report. However, we can perfectly reasonably frame our economic and other evidence to the Review Bodies in such a way as to encourage them to consider whether any pay increase is justified in the year in question, and not to take this for granted. The Prime Minister will have seen the draft evidence to the Top Salaries Review Body which sets out to do just this. A similar line has been taken in the draft evidence to the Doctors and Dentists and Armed Forces Review Bodies.

I am copying this letter to the Private Secretaries to members of the Cabinet, the Attorney General and the Lord Advocate, and to John Sparrow and Sir Robert Armstrong.

Yours sincerely,
Margaret O'Mara

MISS M. O'MARA