

SUBJECT ✓ cc MasterCopy no *10* of
10 copies

10 DOWNING STREET

From the Private Secretary

5 May 1983

*Dear John,*Review Bodies Reports 1983

The Prime Minister held a meeting to discuss the Review Body Reports today. The Lord Chancellor, the Chancellor of the Exchequer, the Lord President of the Council, the Secretaries of State for Defence, Employment and Social Services, Sir Robert Armstrong and Mr. Peter Gregson were also present.

In discussion of the Armed Forces Pay Review Body (AFPRB), concern was expressed that the Review Body had seen fit to recommend an increase larger than last year's at a time when inflation and pay settlements generally had been falling and when there were no problems of recruitment. It was, however, generally accepted that the AFPRB's recommendations should be accepted and announced. The aim should be to make the announcement in time for the new rates to be implemented in monthly pay for May.

On the report of the Doctors and Dentists Review Body (DDRB), it was noted that there was a strong possibility that the Review Body would feel obliged to resign if, for the third year running, the Government did not fully implement their recommendations. This would cause great difficulty with the professions, and would also upset the arrangements which were being made for a review body for the nurses. Against this, it would be politically very difficult to grant the doctors and dentists an increase of 9.7%, given that the 4½% which had been granted to the nurses had been described as an exceptional settlement. It would be possible to award the doctors and dentists the whole of the 2.7% required to make good last year's abatement, and to offer them only about half of the increase which was recommended for this year. But this would leave the Government next year with the same problem of an abatement which it would be argued needed to be made good.

Another possibility would be to award doctors and dentists what was recommended for this year - ie a general increase of 6%, plus 1% in respect of supplementary payments for long hours worked by junior hospital doctors and dentists - and to make good the abatement later in the year, say on 1 January 1984. This course of action would have the advantage of bringing doctors and dentists salaries up to the level recommended by the Review Body by the time they undertook their 1984 review, of reducing the cost of the award during 1983/4, and of easing the immediate problems of public presentation.

/ On the

On the Top Salaries Review Body report on the higher Civil Service, senior Service officers and the Judiciary, it was noted that it would be possible to treat these recommendations in parallel with those of the DDRB. So far as the judiciary were concerned, it was still the case that, notwithstanding the very large salary increases which the Government in difficult circumstances had agreed last year, some of the best candidates for judicial office were still refusing appointment, no doubt in a number of cases on financial grounds. This was particularly true in the more specialised cases, for example in the appointment of a patent judge. There were perhaps more serious difficulties in the the appointment of circuit judges and in the minor judicial appointments. In the Services, failure to implement something approaching the TSRB's recommendations would bring about the narrowing of differentials between senior and junior officers.

On the Top Salaries Review Body's report on Members of Parliament and Ministers, the Prime Minister said that she regarded the scale of increases recommended as untoward and wholly unacceptable. In discussion it was agreed that the report should be published soon, and that the Government should respond positively to any request for wide consultation within the House. In responding to the recommendations of the Thomas Committee which reported early last year, the Government had committed itself to a review of these salaries in the fourth year of a Parliament. But the Thomas Committee had envisaged that there might be difficulties where the review made recommendations late in the life of a Parliament; and expressed the view that there would be no great harm if decisions on occasion had to be left to the new Parliament. One option would be to propose immediately an increase for MPs and Ministers on a very much lower scale than that proposed in the report - say the 3½% already in cash limits or the 6 - 7% which appeared to be the going rate for this year in the other Review Body reports. But, arguably, this would be to take too firm a view before the consultation process was complete, and there would be much criticism if, after receiving an increase of this order, MPs in a new Parliament were to vote themselves a further tranche of the increase which had been recommended by the TSRB.

Summing up the discussion, the Prime Minister said that there was disquiet about the operation this year of the Review Body system. Before next year's reports Ministers should look carefully at the constitution and methods of the Review Bodies and the extent to which they took into account all the considerations which were properly relevant. There was general agreement that the AFPRB should be published on Thursday of next week, and that the Government's acceptance of its recommendations should be announced at the same time. This would cost £165 million of which £80 million was not included in the Ministry of Defence's cash limits. The DDRB report should be published on the same day, and the Government should announce that it accepted the report's recommendations, but that the 2.7% abatement would be made good not immediately but from 1 January 1984. The award should be presented as a settlement in the range of 6 - 7%, with an additional amount for junior hospital doctors and dentists. The total cost, excluding the 2.7% abatement would be £110 million; taking account of the treatment of the abatement which had been agreed, the excess not included in cash limits would be some £58 million. The two TSRB reports should, similarly, be published next Thursday. On the higher Civil Service, senior Service officers and Judiciary salaries, the Government's decision, also to be announced on Thursday, would be parallel to that on the DDRB report: i.e. the 6.9% award for this year would be accepted, and the 5% abatement would be made good from 1 January 1984. It was noted that the cost of implementing this report in full

- 3 -

would be around £7 million. On MPs pay the Government would say that it wished to conduct wide consultations before reaching a conclusion about what it would propose to the House on these recommendations; but that the House's decision should certainly be made to apply to Members of the present Parliament, whenever the Election came. The government would, at the same time, make it clear that the Cabinet did not believe that Cabinet Ministers could contemplate taking increases on the scale recommended. It was noted that the TSRB proposals on non-salary matters for MPs and Ministers raised a number of difficulties, and would need to be carefully considered. Treasury Ministers should consider, with the other Ministers concerned, how much of the extra costs of all these awards could be absorbed within the existing cash limits. It was recognised that not all of the increases might be able to be absorbed, but the aim should be to absorb as much as possible. The Cabinet Secretary should circulate a paper, together with a draft statement by the Prime Minister, so that the Cabinet could consider these matters at its meeting on 12 May.

I am sending copies of this letter to the Private Secretaries to those people present at the meeting. I would be grateful if you and they would neither photocopy nor circulate this letter outside your Private Offices.

Yours sincerely,

Michael Scholar

J. Kerr, Esq.,
H.M. Treasury