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CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3HE

15 January 1982

Dear Chancellor,

NATIONALISED INDUSTRY BOARD MEMBERS' PAY

will req if read

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In response to my letter to Janet Young of 11 November, Barney Hayhoe wrote on 26 November suggesting that I should prepare a draft paper for E Committee explaining my proposals for 1981 salary increases for the Deputy Chairmen of the Scottish Electricity Boards and the full-time members of the Highlands and Islands Development Board (HIDB). I now attach a draft. I should, of course, be glad to discuss this at E or E(EA) Committee but I am hoping that agreement can be reached with you in correspondence or, if you prefer, in bilateral discussion. My previous letter to Janet did not deal with the incumbent HIDB Chairmen's salary because the proposed offer to his successor was still being negotiated. Now that the appointment has been made I have included in my paper a proposal on the salary of the current Chairman from 1 April 1981 to 31 January 1982 when he demits office.

I am copying this letter to members of E and E(EA) Committees and to Sir Robert Armstrong.

Yours sincerely

J P Wilson

(Approved by the Secretary  
of State and signed in  
his absence.)

## E. COMMITTEE

### NATIONALISED INDUSTRY BOARD MEMBERS PAY: SCOTTISH ELECTRICITY BOARDS AND HIGHLANDS AND ISLANDS DEVELOPMENT BOARD

1. On 21 September the Committee considered and approved proposals by the Secretary of State for Energy for salary increases for the Deputy Chairmen of Area Electricity Boards in England and Wales above the previously agreed 7% guideline for nationalised industry Board members. I indicated at that meeting that I expected in due course to be seeking similar increases for members of the Scottish Electricity Boards and that I would also consult colleagues about the Highlands and Islands Development Board (HIDB). I have agreed with the Chancellor of the Duchy of Lancaster increases of 7% for the Chairmen and part-time members of the two Scottish Electricity Boards and for the part-time members of the HIDB. The salary for the newly appointed Chairman of HIDB (who takes up office on 1 February 1982) has been settled separately and the post of Deputy Chairman is being left vacant until the Chairman is established. I now seek colleagues' agreement to proposals for increases in excess of 7% for the two full-time Deputy Chairmen of the Electricity Boards and for the current Chairman and two full-time members of HIDB.

### SCOTTISH ELECTRICITY BOARDS: DEPUTY CHAIRMEN

2. The Electricity Board Deputy Chairmen require exceptional treatment to preserve differentials and to maintain their position relative to the Area Boards in England and Wales. On the issue of differentials, Table 1 of Annex A shows that the rising "floor" of the nationally negotiated scales for senior managers has compressed differentials to the point where both Deputy Chairmen enjoy only a few hundred pounds more than their respective Chief Officers. The South of Scotland Electricity Board have only avoided inverse differentials this year by postponing nationally agreed increases for their senior management which should have taken effect from 1 April 1981. Clearly this process cannot go on any longer without damaging the Board's ability to attract suitable senior staff.

3. The Chairmen and Deputy Chairmen of the Scottish Boards have always received higher salaries than their counterparts in the Area Boards because their Boards are responsible for the generation of electricity as well as distribution, whereas the Area Boards have no generation responsibilities. The increases agreed for Area Board Deputy Chairmen by E Committee amounted to 13.3-17.5% on a compressed five-point scale. The Boards have previously argued with some justification that the existing

differential between their salaries and those in England and Wales was insufficient to reflect their extra responsibilities. To offer the Deputy Chairmen a lower increase on this round than that given to the Area Boards would be very difficult to justify.

4. I therefore propose to offer the Deputy Chairman the same increase as that agreed for the Area Boards, that is an increase of 13.3% to 17.5% on a compressed five-point scale. Table 2 of Annex A shows the effect of this increase. I also propose, as I have done in the case of the Scottish Transport Group, to use the flexibility available under the new arrangements to allow the Boards themselves to determine where their Deputy Chairmen should be placed within the new scales.

#### HIGHLANDS AND ISLANDS DEVELOPMENT BOARD

5. The current salaries paid to the present Chairman and full-time Board Members and the shortfall in comparison with TSRB14 recommendations are as follows:-

	Current Salary (as from 1.4.80)	TSRB Recommendation (July 1980)	% Shortfall
Chairman	£21,750	£33,000	52
Full-time members	£13,750 - £18,500	£19,500 - £25,000	42-35

The Board's Chief Officer (Secretary) is paid as a Civil Service Assistant Secretary equivalent and following the latest Civil Service pay settlement (with effect from 1 April 1981) receives a salary of £20,895 (previously £19,500). The full-time Board Members (apart from the Chairman, and the Deputy Chairman whose salary is not considered in this paper) have in recent times been paid less than the Board's Chief Officer.

6. Under the new arrangements for determining the pay of Board Members the Board has recommended salaries of £32,000 for the Chairman and £24,000 for its full-time members.

7. The case for salary increases for HIDB Board Members presented to TSRB on 13 March 1980 was prepared after careful consideration and with CSD concurrence. The Review Body accepted that HIDB members had been wrongly graded for many years prior to 1980 (when HIDB came under TSRB's remit) and recommended very substantial increases. It was decided however to limit all TSRB increases to 12½% although it was argued that while the Government's general stance on TSRB14 was defensible, it was unjust to members whose posts had been wrongly graded in the past and whose anomalous treatment would be perpetuated by such a decision.

8. Failure to rectify this anomaly is a matter of considerable concern to the Board and it is difficult to defend a position where one member who previously served as Secretary is now considerably worse off after having been 'promoted' to the Board. If the present salary levels are not changed, I shall clearly experience difficulties in future in retaining or attracting members of sufficient calibre and experience to serve on the Board. Indeed one of the principal difficulties in securing a new Chairman for HEDB was the level of salary and I consider that I was fortunate to be able to make an appointment at the £29,000 eventually agreed on market grounds.

9. The justification for correcting the grading anomaly has not changed and I feel that the opportunity presented by the new arrangements for settling Board Members' salaries should be used to seek rectification and fair treatment. Having regard to the general policy applying in the present round of salary negotiations for Board members, I propose that full-time members should be placed on a scale of £21,000-£24,000 with effect from 1 April 1981 representing a 29.7% increase at the top end of the scale. This will bring the full-time member scale just clear of the maximum salary payable to the Secretary of the Board.

10. In the case of the current Chairman it would be inequitable to offer an increase which was limited to 7%; the resultant salary (£23,273) would be less than I am proposing for his full-time colleagues. Accordingly I propose a figure of £27,250 to maintain in absolute terms the current differential between the Chairman and the full-time members. At 25% this represents a slightly lower percentage increase than proposed for full-time members and is of course well below the figure for the new Chairman.

#### CONCLUSION

11. I invite colleagues to agree

- (a) to the increases for the Deputy Chairmen of the Scottish Electricity Boards set out in paragraph 4 above;
- (b) to the increases for the full-time members and current Chairman of HEDB set out in paragraphs 9 and 10 above.

TABLE 1

## CURRENT DIFFERENTIALS BETWEEN DEPUTY CHAIRMEN AND SENIOR MANAGERS

South of Scotland Electricity Board (SSEB)

Deputy Chairman	£24,750	(fixed mid-point of range £22,000-£27,500)
Executive Director	£24,640	(increase from 1 April 1981 not yet agreed)
Chief Officer	£23,760	( " " " " )
Area Manager	£23,150	( " " " " )

North of Scotland Hydro-Electric Board (NSHEB)

Deputy Chairman	£24,125	(fixed mid-point of range £21,250-£27,000)
Chief Officer	£23,320	(from 1 April 1981)
Area Manager	£22,100	(from 1 April 1981)

TABLE 2

## RELATIVE POSITION OF DEPUTY CHAIRMEN IN PROPOSED INCREASE AGREED

	£
SSEB Chairman - agreed salary from 1.4.81	32,635
NSHEB Chairman (part-time) salary from 1.4.81	16,050
SSEB Deputy Chairman - scale proposed	25,850-31,160
NSHEB Deputy Chairman - scale proposed	24,970-30,590
Area Board Deputy Chairman - agreed scale from 1.4.81	23,500-25,500

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