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1. MR. WICKS

2. PRIME MINISTER

FUTURE OF THE TOP SALARIES REVIEW BODY

The Chancellor earlier took you through the proposals he had in mind to make about the future of the TSRB. His minute, and the reactions to it, are below.

The Chancellor proposes abolishing the TSRB. Senior Civil Servants would receive the same pay increase as on average the rest of the Civil Service receives, and they would be brought within whatever emerges out of the Megaw discussions. The senior military would be put in the AFPRB. The AFPRB's remit would need to be changed to avoid a general ratcheting up of military pay. Pay for the Judiciary would be tied by maintaining parity between the pay of a High Court Judge and the pay of the Lord Chancellor's Permanent Secretary, and an advisory body would be set up against the day when relativities might need to be reconsidered substantially. There would be no need for a special body to set MPs' pay. The Chancellor believes no decision is needed now about the salaries of Ministers and other office holders.

Mr. Heseltine is worried about breaking the present pay link between the senior military and the higher Civil Service, is doubtful about the proposals on Civil Service pay and thinks abolishing the TSRB will be seen as an attempt to shift the blame for last year's problems.

The Lord Chancellor too is doubtful about abolishing the TSRB, believes that if it goes he will need a new review body for judges and does not like the suggested link between the pay of a High Court Judge and that of his Permanent Secretary.

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Mr. Biffen strongly supports abolition of the TSRB but wants an independent body to review MPs' allowances. The Chancellor is prepared to move a little towards that, but not the whole way.

Mr. Luce is not sure about the proposal to abolish the TSRB and thinks the Chancellor should set out in greater detail how he would see the new arrangements working.

Sir Robert Armstrong is against abolishing the TSRB but suggests it would be worthwhile to change the terms of reference and the title before Ministers consider the Chancellor's proposal.

The Policy Unit favour abolition, and would combine this with movement towards personal employment contracts and more open entry to the Civil Service at all levels.

You will presumably want a meeting on this.

The core of the problem is the Civil Service. Public criticism of the last TSRB award focussed on the Civil Service, and the Chancellor's proposals would leave all the other bodies now covered by the TSRB with comparability or linkages of one form or another.

The Chancellor's objective is to find a system which would avoid damaging political rows in future. If they are to be avoided, the new system for the Civil Service must:

i) be seen to be open and honest, leaving no scope for the Government to fix salaries higger-mugger for its closest advisers, or for the advisers to fix their own salaries;

ii) allow pay to be set at the levels needed to recruit, retain and motivate; (the concern here is of course as much for Assistant Secretaries and Principals as for senior Civil Servants);



iii) have regard to the effect of the pay system on the role played by the Civil Service (impartiality etc.) - not that this need be immutable, but the Government should know what effect it wants to achieve.

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The Chancellor's proposals

- would, after initial controversy, probably reduce the political flack about Senior Civil Service pay settlements;
- would probably not have a major effect on the role and position of the senior Civil Service, at least in the short run.

Disadvantages:

- it would be said that Peter Kemp and the Treasury negotiators would be biased by their personal interest in the outcome of the general negotiations;
- abolition would undoubtedly have a major effect on Civil Servants' morale by removing the last traditional element of comparability, and, whatever the reality, people would believe that pay settlements at senior levels would be lower than under the present system; the effect would be felt more in loss of staff at Principal and Assistant Secretary level than at senior levels; the already worrying exodus of the best people from the Treasury, for example, would be given a boost;
- the constraints on Armed Services pay, already weak, would be weakened however the terms of reference of the AFPRB were changed;
- the tensions between Civil Servants and Armed Servicemen in the MOD would be further increased.



The Government would also be accused of shooting the messenger, and of disowning the pay settlements which it pushed through at such political cost last summer.

You suggested at MISC 66 that Lord Plowden might be sent on a sabbatical. The option of in effect suspending the TSRB, and linking TSRB group pay increases to Civil Service pay increases over the next few years is certainly one which could be considered.

A decision on this needs to be taken within the next few weeks, before the TSRB get down to work again. Agree an early meeting?

Yes - but surely we ought to  
hear the views of 'Top' Civil Servants  
and 'Top' A.Forces people?

no

D.N.S.

David Norgrove  
29 November 1985