

CC 13/UP
CC APPTS

CONFIDENTIAL
APPOINTMENTS IN CONFIDENCE

PRIME MINISTER

TSRB

The main papers are:

- A Policy Unit brief
- B Brief by Sir Robert Armstrong
- C Paper by the Chancellor
- D Minute from Mr. Tebbit
- E Minute from the Lord Chancellor

Radical Options

I suggest you start with radical options, though only Mr. Tebbit is keen to discuss them. They are, in order of radicalism:

Radical options

- (i) abolish the TSRB and put nothing in its place (the Chancellor's option C);
- (ii) abolish the TSRB and make other arrangements as proposed earlier by the Chancellor (option D);
- (iii) suspend the TSRB for a period (discussed in option B);
- (iv) retain the TSRB (also option B) but ask it to (one or a mixture):
 - report on request
 - advise on pay ranges
 - advise on pay increases rather than pay rates, and constrain along Megaw lines
 - divide up a specific amount of money.

My own very strong feeling is that at present any major changes to the operation of the TSRB would damage the Civil

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Service, and ^{but} damage has to be set against any benefits to pay policy or public expenditure control. It would of course have an effect on the people covered by the TSRB, but - perhaps more important - Principals and Assistant Secretaries would be further discouraged, adding to the flood of the best people from the Treasury and one or two other Departments at that level. There may well be ways of helping the situation which would not involve keeping the TSRB, but they are not in sight yet. (The figures for turnover often quoted are nonsense: only the best people are leaving, and comparisons with figures for turnover in the private sector ignore the fact that when people leave their employers in the private sector they are usually replaced by others of equivalent skill and experience, often at higher salaries than were received by those who left. That is not - yet - happening in the Civil Service).

Less Radical Options

These are discussed as the Chancellor's option A, and comprise:

- (i) changing the terms of reference: the Chancellor's paper includes a draft, on which Mr. Tebbit has commented, but the Chancellor himself does not mention this in his minute to you;
- (ii) changing the time of the report so that it falls well after the general Civil Service settlement; again the Chancellor does not mention this in his minute; Mr. Tebbit is in favour;
- (iii) changing the composition; see below.

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(iii) Composition

Lord Plowden	Only Mr. Tebbit seems to want him to go
Sir Robin Ibbs	Everyone who has commented wants him to stay
Sir Thomas Skyrme	The Chancellor and Mr. Tebbit want him to go. The Lord Chancellor, Lord Plowden and Sir Robert Armstrong want him to stay
Sir Harold Atcherley	All agree he should go
Sir David Orr	Going
Mrs. Alison Wright	Already gone

The TSRB also includes Lord Chorley, Sir Peter Matthews and Andrew Morritt, Q.C., but their terms are not yet up. So if Lord Plowden and Sir Thomas Skyrme are retained there will be three vacancies.

(a) Replacement for Mrs. Alison Wright:

Miss Sheila Browne	Favoured by the Chancellor if it is felt a woman is needed.
Mrs. Mary Moore (Principal St. Hilda's)	Lord Plowden would like a woman member and would favour Mrs. Moore over Miss Browne. Sir Robert Armstrong agrees.
Mrs. Sarah Hogg	Lord Plowden and Sir Robert Armstrong are against, a possible for the Chancellor and the Lord Chancellor, Lord Privy Seal and Mr. Luce in favour.

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(b) Replacements for Sir Harold Atcherley and Sir David Orr:

Sir John Kingman Favoured by the Chancellor over any of the women, but would drop if a woman chosen. Lord Plowden would welcome.

The Venerable Frank Harvey (Archdeacon of London) Strongly favoured by the Chancellor. Lord Plowden content.

Lord Barnett Favoured by the Chancellor. Lord Chancellor and Lord Plowden against.

Lord Bruce-Gardyne A possible for the Chancellor. Preferred by the Lord Chancellor to Lord Barnett. Lord Plowden against.

Mr. Christopher Everett (Headmaster, Tonbridge School) A possible for the Chancellor. Lord Plowden would welcome.

James McFarlane (Director-General of the Engineering Employers' Federation) Proposed by Mr. Luce.

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Mr. Geoffrey Wilson
(Chairman of Delta)
Proposed by Sir Robert Armstrong;
Chancellor against.

Mr. John Raisman
(ex-Chairman of Shell)
Proposed by Sir Robert Armstrong;
Chancellor against.

Mr. Derek Birkin
(Chief executive RTZ)
Proposed by the Chancellor.

Other names mentioned by the Chancellor:

Patrick Minford
Tom Jackson
Jack Peel

Mr. Tebbit sees no reason to have academics, journalists, churchmen, headmasters, semi-retired politicians or trades unionists and would prefer further industrialists and particularly employers in small firms.

D&N

DAVID NORGROVE

12 September 1986

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PRIME MINISTER

12 September 1986

TOP SALARIES REVIEW BODY

In paragraph 7 of his note, Sir Robert Armstrong says that since 1971 Top Salaries have fallen relative to both average earnings and pay levels prevailing in other high paid occupations. This is no doubt true, but Top Salaries have actually increased relative to other Civil Service salaries and indeed retail prices. (See attached table for 1970 to 1985). This is the nub of the problem: so long as there is one law for the bosses (even if they themselves are underpaid) and another for the masses, there will be political flak and low Civil Service morale. 1 ->

We continue to believe that the right thing is to abolish the TSRB; for senior Civil Servants to get the same average pay rise as other officials, and for the Admirals and Generals to get the same rise as their troops. If the Government had direct control of Top Salaries it ought also to be easier to introduce a performance payment system for senior grades similar to the private sector such that good officials were paid very substantially more than they could ever hope to be paid by a TSRB award applying (essentially globally) to both the good and bad alike. The trick would be to announce that the new system would be established within a year at the same time as abolishing the TSRB.

Although tinkering with the TSRB is unlikely to produce all the changes we want, if this route is adopted it is surely best to change both the terms of reference and the membership. We would strongly support Nigel Lawson's more balanced membership, and in this regard why not have the industrial members from the average paying companies rather than the high payers. (See attached extracts from company reports).

Peter Warry
PETER WARRY

CONFIDENTIAL

	Salary from 1 April 1970	Salary from 1 April 1985	Percentage increase
Head of the Home Civil Service	£12,700 ^a	£75,000 ^b	490.6
Under Secretary	£6,510 ^a	£34,000 ^c	422.3
Assistant Secretary (max.)	£5,640	£25,533	352.7
Principal (max.)	£3,902	£18,363	370.6
Higher Executive Officer (max.)	£2,392	£11,265	370.9
Executive Officer (max.)	£1,835	£8,917	385.9
Clerical Officer (max.)	£1,253	£6,293	402.2
Retail Prices Index	72.5	373.9	415.7

Notes

- (a) Salary payable from 1 July 1970.
- (b) Salary payable from 1 March 1986. The TSRB recommended a salary of £75,000 from 1 April 1985. The Government accepted the recommended salary but decided to implement the award in two stages: half of the increase (£63,125) from 1 July 1985 and the balance from 1 March 1986.
- (c) Salary payable to an Under Secretary on the maximum point of the scale from 1 March 1986. The TSRB recommended a three-point scale (£31,000; £32,500; £34,000) from 1 April 1985. The Government accepted the rates recommended but decided to implement the award in two stages: half of the increase (£30,975; £31,000; £31,750) from 1 July 1985 and the balance from 1 March 1986.

SPECIAL NOTE

**ITEM SCANNED AS SUPPLIED
PAGINATION IS AS SEEN**

25 COMMITMENTS AND
CONTINGENT LIABILITIES

ICI
(Sir Robin Hobbs)

NOTES RELATING TO THE ACCOUNTS

	GROUP		COMPANY	
	1985	1984	1985	1984
	£m	£m	£m	£m
Commitments for capital expenditure not provided for in these accounts (including acquisition of share and loan capital in subsidiary and other companies):				
Contracts placed for future expenditure	148	109	86	68
Expenditure authorized but not yet contracted:				
Chemical interests of Beatrice Companies, Inc.	—	647		
Other	447	389	289	209
	595	1,145	375	277

Contingent liabilities existed at 31 December 1985 in connection with guarantees and uncalled capital relating to subsidiary and other companies and guarantees relating to pension funds, including the solvency of pension funds. Other guarantees and contingencies arising in the ordinary course of business, for which no security has been given, are not expected to result in any material financial loss. Litigation and other proceedings against companies in the Group are not considered material in the context of these accounts.

The maximum liability in respect of guarantees and uncalled capital at 31 December 1985 would be £119m (1984 £162m) for the Group, including £96m (£127m) in respect of guarantees of borrowings by Corpus Christi Petrochemical Company, in which the Group has a 37.5 per cent interest. The maximum liability for the Company, mainly on guarantees of borrowings of subsidiaries, would be £869m (1984 £1,098m).

In 1983, 1984 and 1985 the Company agreed to make special payments aggregating £51m per annum, each over a three year period, in respect of increased benefits under the Staff Pension Fund and the Workers' Pension Fund; at 31 December 1985 the instalments still to be paid totalled £101m.

26 EMOLUMENTS OF DIRECTORS
AND EMPLOYEES

The total emoluments of the directors of the Company for the year were £1,732,000 (1984 £1,712,000) including £118,000 (£77,000) in respect of non-executive directors. Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £3,982,000 (1984 £2,871,000).

The table which follows shows the number of directors and employees of the Company, other than those who worked wholly or mainly outside the UK, whose emoluments during the year were within the bands stated (excluding employees whose emoluments were below £30,000):

Emoluments £	Directors		Employees		Emoluments £	Directors		Employees	
	1985	1984	1985	1984		1985	1984	1985	1984
5,001- 10,000	1				110,001-115,000			2	3
10,001- 15,000		6			115,001-120,000			1	
15,001- 20,000	5				120,001-125,000			1	
30,001- 35,000	1		363	303	125,001-130,000			2	
35,001- 40,000			244	151	135,001-140,000			1	
40,001- 45,000			148	90	145,001-150,000			1	
45,001- 50,000	1		69	60	150,001-155,000			1	
50,001- 55,000			55	27	170,001-175,000	1			
55,001- 60,000			36	23	175,001-180,000		1		
60,001- 65,000			32	17	180,001-185,000	1	1		
65,001- 70,000			13	5	185,001-190,000		1		
70,001- 75,000			14	8	190,001-195,000		2		
75,001- 80,000	1		6	4	195,001-200,000	1	1		
80,001- 85,000			7	5	200,001-205,000	1			
85,001- 90,000			4		205,001-210,000	1			
90,001- 95,000	1		3	3	215,001-220,000		1		
95,001-100,000	1		3	1	285,001-290,000		1		
100,001-105,000				1	310,001-315,000	1			
105,001-110,000			3	2					

The emoluments of the Chairman were £312,991 (1984 £287,261). Six of the directors whose emoluments are shown above for 1985 were directors for part of the year only.

119000 employees

Notes on the accounts

Continued

TURNER & NEWALL — They have been in trouble from asbestos claims of course.

5 Extraordinary items	1985 £m	1984 £m
Income from – sales of businesses and investments	3.3	0.1
Charges from – sales of businesses and investments	(0.5)	(0.2)
– closures and restructuring of business	(4.7)	(5.0)
– other, including tax		(0.3)
	<u>(1.9)</u>	<u>(5.4)</u>

6 Dividends		
Interim paid of 1.35p (1.0p)	1.5	1.1
Final proposed of 3.65 (1.5p)	3.9	1.6
	<u>5.4</u>	<u>2.7</u>

7 Earnings per £1 share	p	p
Calculated on 108,675,660 shares in issue in both years		
On net distribution basis – earnings of £29.0m (£19.0m)	26.69	17.58
On nil distribution basis – earnings of £31.5m (£20.5m)	28.96	18.84

8 Company profit and loss account

As permitted by section 228(7) of the Companies Act 1985, the profit and loss account of the Company is not presented with these accounts. Of the Group profit attributable to shareholders, profits of £14.6m have been dealt with in the accounts of the Company.

9 Employees

The average number of persons employed by the Group was	27,248	29,540
Numbers employed at 31st December	27,170	28,900
Staff costs	£m	£m
Wages and salaries	144.8	143.8
Social security costs	12.3	11.1
Other pension costs	8.4	8.9
	<u>165.5</u>	<u>163.8</u>
Directors' emoluments	£000	£000
Fees	37	37
Other emoluments including pension scheme contributions	565	379
Pensions to former directors and their dependants	188	178
Compensation to a former executive director	69	

The number of directors, and employees who earned more than £30,000 in the year, principally employed in the UK, whose emoluments (excluding pension contributions) fell within the following ranges were:

	Directors		Employees	
	1985	1984	1985	1984
5,001 – 10,000	5	5		
20,001 – 25,000	1			
30,001 – 35,000			5	5
35,001 – 40,000			6	
40,001 – 45,000		2		
45,001 – 50,000		2	1	1
50,001 – 55,000		2		
55,001 – 60,000	4			
60,001 – 65,000	1			
70,001 – 75,000	1			

The emoluments of the Chairman were £59,542 (£52,281). In addition, under the agreement referred to in his statement accompanying the 1982 accounts, the Chairman received a fee from the Company's bankers of £180,000 (£72,000 after tax) in both 1984 and 1985.

There is no pension provision for the Chairman.

The emoluments of the highest paid director were £74,089 (1984 the Chairman)

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25 Directors' and employees' emoluments	1985 £'000	1984 £'000
Directors		
The aggregate emoluments of the Directors of the Company were –		
Fees	36	38
Other emoluments including pension contributions	584	541
Ex-gratia payments to former Directors	60	62
	680	641

The Chairman's emoluments, excluding pension contributions, were **£68,399** (1984 – £62,129).

The emoluments, excluding pension contributions, of the highest paid Director were **£95,003** (1984 – £82,504). The number of other Directors, some of whom served on the Board for part of the relevant year only, whose emoluments, excluding pension contributions, were within the following ranges was –

£	1985	1984
1 – 5,000	1	–
5,001 – 10,000	1	3
10,001 – 15,000	2	–
20,001 – 25,000	–	1
35,001 – 40,000	–	1
50,001 – 55,000	–	1
55,001 – 60,000	4	4
60,001 – 65,000	2	–

Employees

The number of employees in the United Kingdom whose emoluments, excluding pension contributions, were within the following ranges was –

£	1985	1984
30,001 – 35,000	4	10
35,001 – 40,000	11	8
40,001 – 45,000	2	–

26 Contingent liabilities

The Company and certain of its subsidiaries have, in the normal course of business, entered into guarantees in respect of export finance, bills discounted, performance bonds etc.

There is uncalled loan capital in a related company of **£320,000** (1984 – £320,000).

The Company has guaranteed bank borrowings and term loans of certain subsidiaries and related companies which at 31st December 1985 amounted to **£44,210,000** (1984 – £99,356,000).

There are claims outstanding which arise under contracts carried out by the Company and certain subsidiary companies. It is not possible to predict with certainty the results of these claims but the Directors believe, in the light of advice received, and taking into account counter claims, claims against third parties and provisions established in the accounts, that the outcome will not have a material effect on the Group's financial position.

29,000 employees

Courtaulds

9 Remuneration of Directors

	1985 £'000	1984 £'000
Remuneration	722	588
Of which fees represented	23	23
Payments in respect of pensions to former Directors	72	59
Six Directors (1984 seven) have waived emoluments of	27	27
Remuneration includes Chairman	£ 113,521	£ 99,052
Other Directors whose duties were wholly or mainly discharged in the UK*	Number	Number
0 - £5,000	—	2
£5,001 - £10,000	3	2
£30,001 - £35,000	1	—
£55,001 - £60,000	—	1
£60,001 - £65,000	1	2
£65,001 - £70,000	1	—
£70,001 - £75,000	1	3
£75,001 - £80,000	1	—
£80,001 - £85,000	2	—

*including one (1984 two) for part year only.

10 Remuneration of UK employees of the Group

£30,001 - £35,000	38	20
£35,001 - £40,000	19	13
£40,001 - £45,000	7	2
£45,001 - £50,000	8	1
£50,001 - £55,000	2	—
£55,001 - £60,000	1	—

70,000 Employees in total

11 Courtaulds PLC

(a) The profit and loss account includes the results of the Company and its subsidiaries. Under the provisions of the Companies Act 1948, the Company is not required to publish its own profit and loss account. The profit attributable to ordinary shareholders of the holding company, dealt with in the accounts of the Company, is £58.8m (1984 £79.2m).

(b) During the year, the Company's principal trading assets were transferred to trading subsidiaries.

12 Additional information

A breakdown of turnover and operating profit between the various business areas is shown on page 38 and of numbers employed on page 20. A breakdown of turnover by geographical manufacturing location is shown on page 38.

SAINSBURY'S

18 Employees

	Group	
	1986 £m	1985 £m
Employees' remuneration and related costs during the year amounted to:		
Wages and salaries	283.4	248.7
Social security costs	18.5	18.2
Other pension costs	15.9	14.0
	317.8	280.9
Employees' profit sharing scheme	15.8	12.1
	333.6	293.0
	1986	1985
The weekly average number of employees during the year was:		
Full-time	25,706	24,548
Part-time	38,301	37,710
	64,007	62,258
	1986	1985
The number of employees whose remuneration exceeded £30,000 was as follows:		
£30,001-£35,000	8	10
£35,001-£40,000	12	13
£40,001-£45,000	10	2
£45,001-£50,000	3	1
£50,001-£55,000	1	—

19 Directors' Remuneration

	1986	1985
Chairman	£125,000	£ 95,000
Highest paid Director	—	£103,000

Remuneration of all Directors fell within the following ranges:

	1986	1985		1986	1985
£ 0-£ 5,000	—	1	£75,001-£ 80,000	4	1
£ 5,001-£10,000	3	1	£80,001-£ 85,000	1	3
£10,001-£15,000	—	1	£85,001-£ 90,000	3	—
£20,001-£25,000	—	1	£90,001-£ 95,000	—	1
£60,001-£65,000	—	1	£100,001-£105,000	1	1
£65,001-£70,000	1	4	£115,001-£120,000	1	—
£70,001-£75,000	1	1	£120,001-£125,000	1	—

20 Tax on Profit on Ordinary Activities

	Group	
	1986 £m	1985 £m
The tax charge for the year is:		
Corporation tax	57.1	43.6
Deferred tax	2.6	1.0
Share of Associates' tax	5.7	3.4
	65.4	48.0



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Ref. A086/2527

PRIME MINISTER

Top Salaries Review Body: Meeting on 15 September at 3.30 pm

The meeting has been called to discuss the question of changes in the terms of reference and composition of the Top Salaries Review Body (TSRB) in the light of the Chancellor of the Exchequer's minute of 22 July, to which was annexed a list of possible candidates for membership and a note by the Treasury on the future of the TSRB.

2. It seems to be generally accepted that the TSRB should continue to exist, and continue to deal with the remuneration of the groups presently covered by it. I think that this is probably right. I know that last year the TSRB produced a highly embarrassing set of recommendations, the acceptance of which gave you and your colleagues a great deal of political trouble. But these are groups of senior public servants with whom there is no possibility of negotiating pay. In the end decisions about their remuneration have to be taken by Ministers. The existence of an independent review body provides some political protection for Ministers, in that they can to a degree shelter behind its recommendations when it is necessary to make increases which are in some objective sense justified but are politically embarrassing. The existence of the TSRB is also something of a protection for the groups of public servants concerned, since it is some protection against purely arbitrary but politically expedient decisions at their expense. The need for some such body of this kind is demonstrated by the fact that in practice the remuneration of these groups has always been settled with the involvement of such a body.

Terms of Reference

3. The terms of reference of the TSRB are:

"To advise the Prime Minister on the remuneration of the higher judiciary and certain other judicial appointments; senior civil servants; senior officers of the armed forces; and other groups which may be referred to it."

4. These terms of reference do not give the review body any indication as to how, or by reference to what criteria, the review body are to conduct their reviews. The Chancellor of the Exchequer argues that the TSRB remain wedded to comparability as the basis for their recommendations, and would like to try to change this. He doubts whether changing the terms of reference would do any good: he thinks that the TSRB would simply ignore them and go on reporting in their usual way. He would prefer to proceed presumably by giving strong Government evidence as to the relevant criteria and by altering the balance of membership. He would like to see a membership that reflects a broader cross-section of society with people from a wider spread of occupational backgrounds, including academics, people previously active in politics, churchmen, ex-trades union leaders and journalists. He made a number of suggestions in these categories, on which I drew for the purposes of the note which I put to you on 7 August, following your request to me to consult Lord Plowden on possible changes of membership.

5. The Secretary of State for Defence and the Lord Chancellor were inclined to agree with the Chancellor of the Exchequer's general line, and made some comments on detailed membership.

6. The Chancellor of the Duchy of Lancaster, in his minute of 30 July, wanted to see revised terms of reference which would reflect Government priorities and a substantial change in membership. He did not, however, see why we should continue to



have an academic member, and could see no conceivable reason to have journalists, churchmen, headmasters, semi-retired politicians or trades-union leaders. He would prefer to add further industrialists and particularly employers in small firms.

7. You will wish to discuss with your colleagues whether to leave the terms of reference in their existing neutral condition, or whether to try to put some kind of direction upon them, as Mr Tebbit would prefer. My personal inclination would be to leave them alone, partly for the reasons suggested by the Chancellor of the Exchequer but partly also because I think that he exaggerates the extent to which considerations of comparability determine the review body's recommendations. The review body do indeed look at levels and movements of salaries outside, and produce a great deal of information about them. But they have consistently made it clear that levels and movements outside are only one of the considerations in their minds and not by any means the determining one. Lord Plowden and Sir Robin Ibbs in particular are very well aware of the wider political context in which the review body does its work, and the TSRB recommendations have consistently been well below the levels which would be suggested by straight comparability. No doubt it is for that reason that the Treasury can say that since 1971 the pay of those concerned has fallen relative to both average earnings and pay levels prevailing in other high paid occupations. This was particularly marked between 1971 and 1979; but even since that time the TSRB groups have either marked time or lost further ground, compared to other high paid occupations.

Composition

8. I have already described the views expressed by the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster on broadening the range of membership of the TSRB. In



his minute of 30 July the Chancellor of the Duchy seemed to be strongly against the kind of broadening that the Chancellor of the Exchequer had in mind; but by the time he came to write his minute of 29 August he was once again saying that he hoped we could revert to the possibility of more far reaching changes in the composition of the TSRB, of the kind canvassed in the report under cover of the Chancellor of the Exchequer's minute of 22 July.

9. The recommendations which I suggested in paragraph 12 of my minute of 7 August endeavoured to strike a balance between the views expressed by the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster, and I do not think that it was quite fair of the Chancellor of the Duchy to describe them as doing "little more than pin new names on the same personalities".

10. You may like to invite a general discussion of the kind of people to whom we should look to serve on the TSRB; and in the light of that discussion turn to the consideration of individual names.

Chairmanship

11. The Chancellor of the Duchy questioned the desirability of retaining Lord Plowden's services as Chairman. He may revert to this point at the meeting.

12. Lord Plowden will be 80 in January. He is sensitive to this, and has repeatedly said that he does not want to go on a day longer than you want him to as Chairman of the TSRB, but his mental alertness and vigour are unimpaired, and his experience is unrivalled. I have no doubt that but for him the TSRB's recommendations over the years would have been even more



embarrassing than they have been. And he certainly does not want to stop. Indeed, the TSRB under his chairmanship has just embarked on another review of Parliamentary allowances.

11. If there is any pressure at your meeting for him to be retired, I suggest that one possibility might be to ask him to complete the review of Parliamentary allowances and undertake next year's review of top salaries, but to say that we will review the position with him again after that (there would be something to be said for making any changes in chairmanship after the election and not before).

Handling

12. You may like to invite the Chancellor of the Exchequer to open the discussion, based on his minute of 22 July. No doubt all the other Ministers will want to take part in the discussion.

ROBERT ARMSTRONG

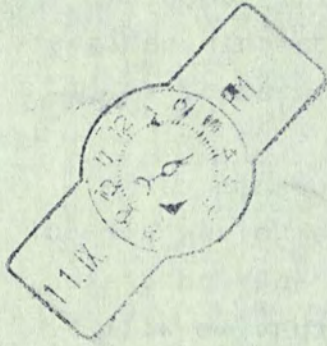
11 September 1986

Report POL



PSRB

PT 8



COMMUNICATIONS



APPOINTMENTS IN CONFIDENCE

Chancellor of the Duchy of Lancaster

BF || Pw meeting on 15/79

PRIME MINISTER

TOP SALARIES REVIEW BODY

I have been following this correspondence closely, which rests with Sir Robert Armstrong's minute of 7 August to your private secretary.

I find it surprising that, in the wake of the views expressed in correspondence last autumn, a consensus should be contemplated on the basis of changes in the membership of the TSRB which do little more than pin new names on the same personalities. We should only have ourselves to blame if we were to be presented, as a consequence, with similar unacceptable reports. I hope that in further discussion we can revert to the possibility of more far-reaching changes in the composition of the TSRB, and in its terms of reference, of the kind canvassed in the report under cover of Nigel's minute of 22 July.

I am sending a copy of this minute to Quintin Hailsham, Nigel Lawson, George Younger, John Biffen, Richard Luce, and to Sir Robert Armstrong.

NORMAN TEBBIT

29 August 1986

ECON POL

TBRB

PT8

COMMERCIAL

FORMER



Ref. A086/2307

MR WICKS

Top Salaries Review Body

Mr Flesher's letter of 4 August to Mr Alex Allan asked me to consult Lord Plowden about possible changes in the membership of the Top Salaries Review Body (TSRB). This minute records the outcome.

2. Lord Plowden would welcome a broadening of the range of experience and occupations represented on the Review Body.
3. He would welcome the reappointment of Sir Robin Ibbs for a further term.
4. His views about Sir Thomas Skyrme are close to those of the Lord Chancellor. Sir Thomas Skyrme, though legally qualified, is not so much a distinguished lawyer as a retired civil servant with knowledge of the legal profession. Lord Plowden values the expert knowledge which he brings to the task of chairing the sub-committee of the TSRB that deals with judicial salaries, and assures me that, if the representation of the law on the TSRB was confined to Mr Andrew Morritt QC, we should be very likely to end up with much higher judicial salaries. Lord Plowden would therefore like to see Sir Thomas Skyrme's appointment renewed.
5. Lord Plowden would not want to propose the reappointment of Sir Harold Atcherley.
6. That leaves three replacements to find: for Mrs Alison Wright (who resigned in 1985), for Sir Harold Atcherley, and for Sir David Orr who wishes to resign.



7. Lord Plowden would like to have a woman on the TSRB. When I consulted him earlier, he favoured Mrs Mary Moore (56), Principal of St Hilda's College, Oxford. Mrs Moore was a member of the diplomatic service for ten years from 1951 to 1961, when she resigned on marriage; the next twenty years were devoted to a family and to writing; and she became Principal of St Hilda's in 1982. She was approached once before about membership of the Review Body, very soon after going to St Hilda's, and felt then that she must concentrate her energies on the College. But she was interested and might take a different view now. If she would come, she would be Lord Plowden's first choice, as being a little younger than Miss Sheila Browne. But if she was not available he would be perfectly content for Miss Browne to be approached.

8. Lord Plowden thinks that it would be difficult to have a practising journalist on the TSRB, and for that reason is not keen on Lord Bruce-Gardyne or Mrs Sarah Hogg. He also thinks that it could be embarrassing to have Mrs Hogg on a body which in effect determines her father-in-law's salary and pension.

9. Lord Plowden would welcome Mr Christopher Everett (Headmaster, Tonbridge School) and Sir John Kingman (Vice-Chancellor, Bristol). He does not know, or know anything about, Canon Frank Harvey, the Archdeacon of London, but would be content with his appointment.

10. As to Lord Barnett, Lord Plowden feels that it would be difficult to put on the Review Body a front-bench spokesman for the Opposition, and wonders whether, if Lord Barnett were appointed, it would be felt necessary to balance him with a retired Conservative politician.



11. The Chancellor of the Duchy of Lancaster favours more industrialists and particularly employers in small firms to journalists, churchmen, headmasters and semi-retired politicians. It seems to me that the TSRB ought to include people:

- a. who are reasonably familiar with one or other of the groups with whose remuneration the Review Body deals;
- b. who have some experience of top management;
- c. who have a feel for the wider political context in which the TSRB is operating.

We are losing Sir Harold Atcherley and Sir David Orr, and I believe that it might be useful for one of the new members to have experience of top management. I should like to suggest Mr Geoffrey Wilson, the Chairman and Chief Executive of Delta, whom I have found impressive and sensible and who is interested in undertaking public work of this kind so long as it is not too demanding; or, failing him, Mr John Raisman, who recently retired as Chairman of Shell. Lord Plowden would be content with either.

12. To sum up, taking account of the views expressed by Ministers and after consulting Lord Plowden, I should like to recommend:

- a. replace Mrs Alison Wright with
 - 1. Mrs Mary Moore, or
 - 2. Miss Sheila Browne
- b. replace Sir Harold Atcherley with
 - 1. Professor Sir John Kingman, or
 - 2. Mr Christopher Everett



- c. replace Sir David Orr with
 - 1. Mr Geoffrey Wilson, or
 - 2. Mr John Raisman

- d. reappoint Sir Robin Ibbs

- e. reappoint Sir Thomas Skymre.

13. I am sending copies of this minute to the Private Secretaries to the Lord Chancellor, the Chancellor of the Exchequer, the Lord Privy Seal, the Chancellor of the Duchy of Lancaster, the Secretary of State for Defence, and the Minister of State, Privy Council Office.

RA

ROBERT ARMSTRONG

7 August 1986



COMPTON



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bc. eR

10 DOWNING STREET

From the Private Secretary

4 August 1986

The Prime Minister has seen the Chancellor's minute of 22 July about the future of the Top Salaries Review Body. She has subsequently seen comments from the Secretary of State for Defence, Chancellor of the Duchy of Lancaster, the Lord Chancellor and Minister of State, Privy Council Office.

BF || The Prime Minister does not dissent from the Chancellor's general approach on the future of the TSRB. She has noted however that there have been a number of differing comments on candidates for membership of the TSRB and in view of this she would like to hold a meeting to review the options as soon as convenient. Before doing so she would be grateful if Sir Robert Armstrong could consult Lord Plowden on possible changes in membership.

I am sending a copy of this to Richard Stoate (Lord Chancellor's Office), Steven Wood (Lord Privy Seal's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), John Howe (Ministry of Defence), Paul Thomas (Office of the Minister for the Arts) and Michael Stark (Cabinet Office).

Tim Flesher

Alex Allan, Esq.,
HM Treasury.

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Ref. A086/2251

MR WICKS

Top Salaries Review Body

The Chancellor of the Exchequer sent the Prime Minister a minute on 22 July about the future of the Top Salaries Review Body (TSRB). There have been comments from the Secretary of State for Defence (29 July), the Chancellor of the Duchy of Lancaster (30 July) and the Lord Chancellor (31 July).

2. The Chancellor of the Exchequer has now dropped his recommendation for the abolition of the TSRB, and doubts whether there would be any advantage in changing their terms of reference. He concentrates on changes in the membership to reduce the average age, and to give us a body more likely to take account of wider economic and social factors and to question some of the assumptions of the comparability based approach towards which Review Bodies tend.

3. I think that this is the right approach. In setting the recommendation of these groups of public servants (senior civil servants, senior officers of the armed services and judges) there is no process of negotiation and no real possibility of creating one. Both the Government and the groups concerned need some sort of independent review machinery: the Government to provide it with some form of independent non-political review which makes it a little less difficult to take politically awkward decisions about pay at these levels, and the groups concerned to provide some assurance that the Government will not find it too easy to take, and will be obliged to take clear responsibility for, decisions which may be seen by those affected as in some sense unfair to them or politically motivated. All that being said, I



suspect that over the years the TSRB has cost the Government less than any of the alternatives discussed in the Treasury paper might have done - despite last year's increase.

4. As to membership, the current membership is:

Lord Plowden KCB KBE (Chairman)
Sir Harold Atcherley
Lord Chorley
Sir Robin Ibbs
Sir Peter Matthews AO
Andrew Morrit QC
Sir David Orr MC
Sir Thomas Skyrme KCVO CB CBE TD

The body is one light: when Mrs Alison Wright resigned she was not replaced. Sir David Orr has indicated that he wishes to resign. The appointments of Sir Harold Atcherley, Sir Robin Ibbs and Sir Thomas Skyrme expire this year. So there are potentially five vacancies.

5. Particularly if there is going to be a large change in the membership, I think that this is not a good moment to ask Lord Plowden to resign as Chairman. He has long and unique experience, and unrivalled understanding of the political environment in which the TSRB has to operate. I have no doubt whatever that his influence has led to lower recommendations than would otherwise have been made. He is 79 years old (80 in January), and has repeatedly made it clear that he will continue no longer than he is wanted, and go without resentment if he is asked to do so. But, as the Prime Minister knows, his intellect, his shrewdness and his wisdom remain unimpaired; he would certainly like to continue, and I hope that we shall be in no hurry to let him go. When he does go, Sir Robin Ibbs is available to take over; but he is in no hurry to do so.

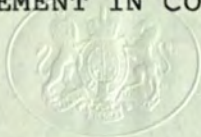


6. If the Prime Minister agrees that Lord Plowden should continue, I should like to consult him before giving advice about new appointments. I know that he would like to have a woman on the Review Body. Earlier in the year I discussed with Lord Plowden, and I agreed with the Departments concerned, an approach to Mrs Mary Moore, the Principal of St Hilda's College (the Prime Minister was prepared to consider her at an earlier stage). I did not proceed with that, because of the uncertainties about the future of the TSRB. If the Prime Minister is still content, I should be inclined to approach her first. If she says that she does not have time (as she did once before), I should like to try Miss Sheila Browne, Principal of Newnham College and formerly Chief Inspector of Schools. Mrs Sarah Hogg would (as the Lord Chancellor says) be admirable in personal terms; but I doubt whether it is easy for any of those concerned to have a practising journalist in the Review Body, and I am not sure that it looks right to have the Lord Chancellor's daughter-in-law recommending the pay of judges.

7. It is generally agreed that Sir Robin Ibbs should be reappointed. I share that view.

8. The Chancellor of the Exchequer recommends that Sir Thomas Skyrme should not be reappointed. The Lord Chancellor takes a different view. I suspect that Lord Plowden would like to keep Sir Thomas Skyrme. He has been an invaluable member of the Review Body, for the reasons which the Lord Chancellor gives. I hope that the Prime Minister will give me discretion to discuss this with Lord Plowden on the basis that, if he would like to renew Sir Thomas Skyrme, the Prime Minister will be prepared to do so.

9. That leaves us with the need to replace Sir Harold Atcherley (who it is generally agreed should not be reappointed) and Sir David Orr. In the interests of broadening the range of experience, and given that either Mrs Moore or Miss Browne would



come from the academic world, I should be inclined to go for Lord Bruce-Gardyne (favoured by the Lord Chancellor in preference to Lord Barnett) and either the Venerable Frank Harvey (Archdeacon of London) or Mr Christopher Everett (the Headmaster of Tonbridge School).

10. If the Prime Minister agrees, she may like to authorise:

- 1. you to write on the lines of the draft attached;
2. me to discuss changes in membership with Lord Plowden accordingly.

RA

ROBERT ARMSTRONG

1 August 1986

CONFIDENTIAL

DRAFT LETTER FROM N L WICKS TO MRS J R LOMAX,
PS TO CHANCELLOR OF THE EXCHEQUER

cc R C Stoate Esq, PS to Lord Chancellor
J F Howe Esq, PS to Secretary of State for
Defence
A D Lansley Esq, PS to Chancellor of the
Duchy of Lancaster
Steven Wood Esq, PS to Lord Privy Seal
C P Thomas Esq, PS to Minister of State,
Privy Council Office

The Prime Minister was grateful for the
Chancellor of the Exchequer's minute of 22 July
about the Top Salaries Review Body.

She agrees with the view of the Chancellor
of the Exchequer, which seems to be generally
accepted, that the TSRB should be retained,
without a change in terms of reference but with
changes in membership designed to produce a
body which reflects a broader cross-section of
society, and are more likely to take into
account wider social and economic factors.

CONFIDENTIAL

PAYAAM

The Prime Minister thinks that, if there is to be a considerable change in membership, it would be sensible to retain Lord Plowden in the chairmanship, at any rate for the next reviews. Despite his age, he retains all his intellect and shrewdness, and he has unique experience and understanding of the interaction between the subjects which the Review Body has to consider and the wider political environment. She is in no doubt that he has exercised a moderating influence on the Review Body's conclusions and recommendations.

She agrees that the appointment of Sir Robin Ibbs should be renewed.

She notes that the Lord Chancellor thinks that Sir Thomas Skyrme should be reappointed. She proposes to consult Lord Plowden about this before coming to a decision, but is inclined to accept that his particular knowledge and experience would justify an extension.

The Review Body needs a replacement for Mrs Alison Wright, who resigned in 1985. The Prime Minister is attracted by Mrs Sarah Hogg,

but feels that it might be difficult to have the Lord Chancellor's daughter-in-law making recommendations on the pay of the judiciary (and thus on her father-in-law's). She is therefore inclined to favour either Mrs Mary Moore, the Principal of St Hilda's College, or Miss Sheila Browne, the Mistress of Newnham College. Subject to the agreement of Lord Plowden, the Prime Minister will arrange for them to be approached, in that order.

She agrees that Sir Harold Atcherley should not be reappointed; that means that replacements are needed for him and for Sir David Orr. In the interest of broadening the range, she favours the appointment of Lord Bruce-Gardyne and either the Venerable Frank Harvey or Mr Christopher Everett. Subject to the agreement of Lord Plowden, she will arrange for approaches to be made accordingly.

I am sending copies of this letter to Richard Stoate, John Howe, Andrew Lansley, Steven Wood and Paul Thomas.

CONFIDENTIAL



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CC APPTS

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

1 August 1986

FUTURE OF THE TOP SALARIES REVIEW BODY

Nigel Lawson copied to me his minute to you of 22 July. I have also seen George Younger's minute of 29 July and Norman Tebbit's of 30 July. There are some important issues at stake here and at this stage I want to make a few brief points only.

2. I agree that the TSRB needs a wider spread of backgrounds and I broadly support the changes in membership proposed by Nigel Lawson, especially the reappointment of Sir Robin Ibbs.

3. More specifically, I think it is important that the TSRB should contain at least one woman and for my part I think the inclusion of a carefully chosen journalist like Sarah Hogg could be helpful.

4. The only name I would add to Nigel's list is that of James McFarlane. He is a Civil Service Commissioner, but more importantly he has a distinguished engineering background (he is currently Director-General of the Engineering Employers' Federation) and has a very balanced and independent mind.

5. For the longer-term I am inclined to think we should have a fresh, sharp look at the TSRB's terms of reference, the timing of its reports and the case for shifting to a system whereby there would be a major review at the beginning of each Parliament followed by minor updating reviews thereafter. For the time being, however, I am content to go ahead with changing the membership and then to see how the new team handle their first review.

6. I am copying this minute to Nigel Lawson, Quintin Hailsham, John Biffen, Norman Tebbit and George Younger, and to Sir Robert Armstrong.

Paul Thomas

MP RICHARD LUCE

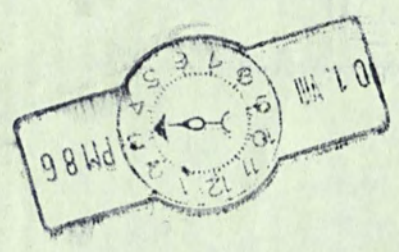
(Approved by the Minister and signed in his absence)

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MINISTER OF STATE, PRIVY COUNCIL OFFICE



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