

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

E(80)59  
25 June 1980

COPY NO 31

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

THE REVIEW BODIES: MEMBERSHIP AND TERMS OF REFERENCE

Note by the Lord President of the Council

I attach a note by officials on the possibility of changing the membership and terms of reference of the three Review Bodies.

Civil Service Department  
Whitehall  
LONDON SW1A 2AZ  
25 June 1980

64

68

70

71

74

76

78

80

82

84

86

60

88

62



THE REVIEW BODIES

1. At the meeting of E on 5 June (E(80)18th meeting) Ministers decided that consideration should be given to the possibility of changing the membership and terms of reference of the three Review Bodies: the Top Salaries Review Body (TSRB), the Armed Forces Pay Review Body (AFPRB) and the Doctors and Dentists Review Body (DDRB). The present membership, length of appointment and terms of reference are set out in Annex A.

Membership

2. The appointments of the members of TSRB are indefinite in length and so there would be no formal difficulty in changing the membership at any time. But the members of the other two bodies have fixed appointments and in most cases their present terms do not expire until the end of 1981 or 1982.

3. There is no evidence that the present membership of the Review Bodies has unduly favoured the groups they have covered. Indeed, in the case of nationalised industries board members, for example, the problem has been that the salary levels set by TSRB have been too low to attract people of the right calibre. There would in any case be no certainty that changing the membership would produce cheaper recommendations. However careful the Government were to choose people who might take a more restrictive view they would have no alternative, once appointed, but to consider the evidence and to make judgements in accordance with their independent status.

4. It might be possible gradually to influence the attitude of the Review Bodies by a policy of careful reappointment, but this would take a long time if it were not to be too blatant. The whole purpose of the Review Bodies has been to provide an independent source of advice which commands the confidence of all concerned and to remove the assessment of appropriate salary levels as far as possible from the political arena. A noticeable attempt to slant the membership would be contrary to these objectives. Moreover the groups covered would lose confidence in the system; and in particular fierce opposition from the British Medical Association and the British Dental Association could be expected if the membership of DDRB were changed in this way. (Direct negotiations on pay between the Government and the medical and the dental professions has in the past proved a recipe for damaging confrontation.)

Terms of Reference

5. In their latest Report (No 14) on Top Salaries the TSRB say that if Government and Parliament do not feel that the proposals in the Report are right it is for them to set different terms of reference or to take responsibility for new means of carrying out the TSRB's functions. The Government could change the terms of

64

68

70

71

74

76

78

80

82

84

86

60

88

62



reference so as to require the Review Bodies to have regard to the Government's economic objectives and, if so desired, to pay less attention to comparability. For instance, the terms of reference could be something like "to take account of economic considerations as notified by the Government to the Review Body from time to time". However, the Review Bodies already do this to some extent, as they showed during the period of the previous Administration's incomes policy. It is in any case open to the Government to submit evidence on economic factors which the Review Bodies could scarcely refuse to consider. (Such evidence might for example refer to the need to observe cash limits and the case for salary increases significantly below the movement of the retail prices index.) It would be more difficult for the Government to reject recommendations on economic grounds if they had specifically been taken into account already under the terms of reference. Moreover such a change would damage the confidence of the groups covered, and there would be a particular problem with the Armed Forces in view of the commitment given to them.

Other considerations

6. The increases recommended by the Review Bodies have only been embarrassingly high because they have involved catching up after a long period during which the salaries of those concerned were in practice kept under greater restraint than those of the rest of the community. The latest TSRB Report on Ministers and MPs (No 15) recommends an "updating" of only 14.6 per cent. Moreover the Review Body reports come towards the end of the pay round and this reduces (but does not eliminate) their influence on other settlements.

7. It is in any event open to the Government to reject or modify Review Body recommendations. Since they were set up in 1971 successive Governments have accepted a commitment to implement their recommendations unless there were "clear and compelling reasons" to the contrary (although the only specific such commitment made by this Government relates to MPs' pay). To refuse to accept recommendations on economic grounds is not inconsistent with this general commitment. One option would be for the Government to leave the Review Bodies' terms of reference unchanged but to indicate informally to the Chairmen that, like its predecessors, the Government felt it necessary to keep open the possibility of rejection or modification on economic grounds. It seems however that the TSRB at any rate would find this less palatable than a change in their terms of reference.

Conclusions

8. Any changes in approach to membership or in the terms of reference risks damaging confidence in the Review Body system and thus defeating the purpose of having independent Review Bodies at all.

9. Changing the membership presents difficulties and would be of doubtful effect. A blatant change would lead to considerable criticism and would be resented by the groups concerned. A more circumspect approach to reappointments would only affect the recommendations in the long run, if then.

10. It is open to the Government to submit evidence to the Review Bodies about economic considerations. A good deal more could be done in this respect than has been done in the past and this would be almost certain to have some influence on the recommendations.

11. This could be done either with or without a change in the terms of reference. The advantage of changed terms of reference would be that the requirement to take account of economic considerations would be formalised and this might be of some presentational benefit. On the other hand this would not guarantee better results; it would upset the groups concerned; and it would make it more difficult for the Government to reject the recommendations on economic grounds. On balance it might be better to rely on submitting appropriate evidence to the Review Bodies without changing their terms of reference.

12. The Government would preserve most freedom of action by making it clear that it would continue to take economic factors into account when considering the Review Bodies' recommendations. This might cause difficulties with the Review Bodies. The Government will however wish in any event to retain the freedom to reject recommendations in some circumstances.

64

68

70

71

74

76

78

80

82

84

86

60

88

62



reference so as to require the Review Bodies to have regard to the Government's economic objectives and, if so desired, to pay less attention to comparability. For instance, the terms of reference could be something like "to take account of economic considerations as notified by the Government to the Review Body from time to time". However, the Review Bodies already do this to some extent, as they showed during the period of the previous Administration's incomes policy. It is in any case open to the Government to submit evidence on economic factors which the Review Bodies could scarcely refuse to consider. (Such evidence might for example refer to the need to observe cash limits and the case for salary increases significantly below the movement of the retail prices index.) It would be more difficult for the Government to reject recommendations on economic grounds if they had specifically been taken into account already under the terms of reference. Moreover such a change would damage the confidence of the groups covered, and there would be a particular problem with the Armed Forces in view of the commitment given to them.

Other considerations

6. The increases recommended by the Review Bodies have only been embarrassingly high because they have involved catching up after a long period during which the salaries of those concerned were in practice kept under greater restraint than those of the rest of the community. The latest TSRB Report on Ministers and MPs (No 15) recommends an "updating" of only 14.6 per cent. Moreover the Review Body reports come towards the end of the pay round and this reduces (but does not eliminate) their influence on other settlements.

7. It is in any event open to the Government to reject or modify Review Body recommendations. Since they were set up in 1971 successive Governments have accepted a commitment to implement their recommendations unless there were "clear and compelling reasons" to the contrary (although the only specific such commitment made by this Government relates to MPs' pay). To refuse to accept recommendations on economic grounds is not inconsistent with this general commitment. One option would be for the Government to leave the Review Bodies' terms of reference unchanged but to indicate informally to the Chairmen that, like its predecessors, the Government felt it necessary to keep open the possibility of rejection or modification on economic grounds. It seems however that the TSRB at any rate would find this less palatable than a change in their terms of reference.

Conclusions

8. Any changes in approach to membership or in the terms of reference risks damaging confidence in the Review Body system and thus defeating the purpose of having independent Review Bodies at all.

9. Changing the membership presents difficulties and would be of doubtful effect. A blatant change would lead to considerable criticism and would be resented by the groups concerned. A more circumspect approach to reappointments would only affect the recommendations in the long run, if then.

10. It is open to the Government to submit evidence to the Review Bodies about economic considerations. A good deal more could be done in this respect than has been done in the past and this would be almost certain to have some influence on the recommendations.

11. This could be done either with or without a change in the terms of reference. The advantage of changed terms of reference would be that the requirement to take account of economic considerations would be formalised and this might be of some presentational benefit. On the other hand this would not guarantee better results; it would upset the groups concerned; and it would make it more difficult for the Government to reject the recommendations on economic grounds. On balance it might be better to rely on submitting appropriate evidence to the Review Bodies without changing their terms of reference.

12. The Government would preserve most freedom of action by making it clear that it would continue to take economic factors into account when considering the Review Bodies' recommendations. This might cause difficulties with the Review Bodies. The Government will however wish in any event to retain the freedom to reject recommendations in some circumstances.

64

68

70

71

74

76

78

80

82

84

86

88

62



TERMS OF REFERENCE AND MEMBERSHIPTOP SALARIES REVIEW BODY

Terms of reference: To advise the Prime Minister on the remuneration of the Chairmen and members of the Boards of nationalised industries; 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.

Specific references have been made from time to time on the pay, allowances, etc of MPs and Ministers.

	<u>Date of latest Appointment</u>	<u>Length of Appointment</u>
Chairman:		
Lord Boyle	2.11.78	Indefinite
Members:		
Mr Andrew Leggatt QC	1.1.79	"
Sir Harold Atcherly	2.11.78	"
Sir George Coldstream	2.11.78	"
Lady Seear	2.11.78	"
Lord Hirschfield	2.11.78	"
Lord Plowden	4.11.77.	Due to retire on 27.10.80.

ARMED FORCES PAY REVIEW BODY

Terms of reference: To advise the Prime Minister on the pay and allowances of members of Naval, Military and Air Forces of the Crown and of any women's service administered by the Defence Council.

	<u>Date of latest Appointment</u>	<u>Length of Appointment (years)</u>
Chairman:		
Sir Harold Atcherley	1.1.80	2
Members:		
Dame Rosemary Murray	"	1
Baroness Sharples	"	3
Air Chief Marshall Sir Ruthven Wade	"	3
Sir Leslie Williams CBE	"	1
Dr Ewen McEwen	"	2
John Read	"	3
J R Sargent	"	2



DOCTORS AND DENTISTS REVIEW BODY

Terms of reference: To advise the Prime Minister on the remuneration of doctors and dentists taking part in the National Health Service

	<u>Date of latest Appointment</u>	<u>Length of Appointment (years)</u>
Chairman:		
Sir Robert Clark	20.12.79	3
Members:		
Professor G F Thomason	27.12.79	2
G J Wilkins	6.12.79	3
Councillor Angela Rumbold	10.12.79	2
Sir Peter Menzies	1.1.79	2
Professor R Graveson	1.11.79	2
Professor Moore	1.11.79	3
Sir William Slimmings	1.11.79	3