

C. M. Wilson

Prime Minister Econ 2
PS



To note - a progress
report on perks.

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Treasury Chambers, Parliament Street, SW1P 3AG

Tim Lankester Esq
10 Downing Street
LONDON
SW1

BF 23/9
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20 July, 1979 . .

Dear Tim

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You wrote to me on 16 July about executive perks.

As far as tax measures are concerned, my Minister has had a meeting with Revenue Officials and has commissioned a further paper which will be submitted to him shortly. This will cover the possibility of substantial increases in the amounts of taxable benefit from company cars and a more effective charge on the provision of petrol for non-business use, as well as consideration of other areas where the tax charge could be made more effective. The Revenue are also contemplating, in the longer term, requiring employers to deduct tax from benefits and, possibly, recommending the abolition of the threshold of £8,500 earnings below which many benefits are not at present taxable; the additional burden which this might place on employers could act as a further disincentive to making payments in a non-cash form. Any tax changes will, of course, apply equally to the nationalised industries as to the private sector. The Revenue will be meeting a delegation from the CBI shortly to discuss some of these matters.

The provision of perks in the nationalised industries, most of which are incidentally members of the CBI, is not a matter for the Treasury but for the Civil Service Department and the sponsor departments. I hope that those departments and others dealing with parts of the public sector where perks are provided will comment on the present position and on any gross disparities between different parts of the public sector. But I think we should take stock of what is known before taking up this aspect, as opposed to the tax aspect which affects the private and public sector equally, with the nationalised industries or other public bodies.

I am copying this letter to the recipients of yours and to the Private Secretaries to the Lord President and the Governor of the Bank of England.

Yours sincerely
Richard Broadbent

R J BROADBENT
Private Secretary



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119 JUL 1979



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✓ MJS for
TL on 23/9



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

1 August 1979

BF 23.9.79

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

Dear Tim,

EXECUTIVE PERKS

We have seen your letter of 16 July to Richard Broadbent and his reply of 20 July. I do not think that we can give you much help.

The main areas over which the CSD exercises specific and detailed control of remuneration, expenses and allowances - the civil service, the armed forces and the judiciary - do not of course enjoy the "executive perks" common in industry at large, and such perks as they might have are taken into account in the pay rates.

The CSD does not exercise detailed control in the other major public services, such as local authorities, police, fire services, teachers or the national health service. Although we would be surprised if executive perks were present in any substantial degree only the relevant departments are in a position to give an authoritative view.

As for the nationalised industries, CSD has no responsibility at all for the remuneration, etc, of the staff. The Minister for the Civil Service is required to approve the remuneration proposed by sponsor departments for the chairmen and board members, but even here the rates of pay are determined essentially by the Review Body on Top Salaries who take account of any perks in making their assessments. There is therefore no scope through the pay control machinery for the CSD to influence the level of perks in these industries.

We doubt therefore whether we can contribute anything to the stocktaking proposed by the Treasury. As far as the CSD's areas of control are concerned the issue is not one of cost, as perks are already taken into account in pay. Rather it becomes one of presentation in relation to the Government's approach to the existence of perks generally. As such, if it is intended to develop a "cash not kind" approach, we would have thought it desirable for the Treasury in the context of the tax changes to exhort departments, including those responsible for the nationalised industries, to do what they can to ensure that rewards are given as far as possible in cash rather than in kind.

I am sending copies of this letter to Richard Broadbent (Minister of State (C), Treasury) Andrew Duguid (Department of Industry), Genie Flanagan (Department of Transport), Tom Harris (Department of Trade), Bill Burroughs (Department of Energy), David Edmonds (Department of the Environment) the Private Secretary to the Governor of the Bank of England and Martin Vile (Cabinet Office).

*Yours sincerely,
Jim Buckley.*

J BUCKLEY
Private Secretary



- 2 AUG 1979

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