

MR. WOLFSON

cc. Mr. Butler

Terms and Conditions for Special Advisers

I thought I should intercept this letter on its way from Robin Butler to yourself.

The attached letter deals with pay. But the Prime Minister may query it because a separate but related subject was raised by Adam Ridley at the meeting special advisers had with the Prime Minister last Monday, viz the role of special advisers during elections in general but in particular during the forthcoming European Elections.

In order to prevent any pursuit of this latter point holding up the proposals for improving arrangements of special advisers' pay, I suggest a note is attached to this letter when it goes to the Prime Minister saying - words to the effect that - these proposals deal only with the pay etc. and other matters such as that raised by Adam Ridley on Monday are being looked at separately.

But we do need to look at this point separately and as a matter of urgency because of the forthcoming European Elections.
Can we talk about this soon please?

Stephen Sherbourne

18th January, 1984



H M Treasury

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Sir Peter Middleton KCB
Permanent Secretary

Robin Butler Esq
10 Downing Street
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12 January 1984

Dear Robin

PAY OF SPECIAL ADVISERS

The present arrangements for Special Advisers' pay were introduced in May 1979 in the light of the Prime Minister's ruling on a paper submitted by Sir Ian Bancroft on 4 May 1979. Under these arrangements Advisers are recruited to the point on a Civil Service pay scale appropriate to their market rate and are allowed limited incremental progression up the scale. Starting pay is agreed with the Treasury, taking into account previous salary.

These arrangements were designed to put on a regular footing the pay of Advisers taken on by the new Administration. On the whole they have worked well. However some Advisers have now reached the limit of salary progression allowed by the rules and are still continuing in service. There have already been 2 cases in which a Minister has felt that the greater experience that his Adviser has gained and the consequent increased value of his services should be recognised by a further increase in salary.

There would be advantage in being able to deal with such cases under the rules rather than as exceptions to them. This suggests that the rules should be amended to allow longer serving Advisers a limited number of further increments, up to a maximum of (say) 4, plus provision for up to 3 extra increments to be given after 3 years' service on the recommendation of the employing Minister. (An alternative would be to introduce a Senior grade of Adviser. But it would be very difficult to find criteria acceptable to all Ministers concerned for deciding whether an Adviser should be of Senior or Junior status. Moreover, the existence of 2 pay scales would conflict with the differences

Mr. Wolfson

Any comments before
I put this to the PM?

FERS

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in salary which arise from the necessity of appointing Advisers at individual market rates.)

Experience has also shown that it would be helpful for the rules on starting pay to be slightly less rigid. There is scope for offering a lower starting salary to younger Advisers, which would help to reduce the expectations of others. Equally a little more latitude in negotiating starting salary would be useful in making the right kind of replacements and might reduce objections to the shortness of the salary scale.

... I attach a draft letter to Permanent Secretaries setting out proposed amended rules. These have been discussed informally with David Wolfson and take into account his comments. The Chancellor of the Exchequer and Robert Armstrong are happy with them. They would not result in any change in the pay of existing Advisers except those who had completed 3 or more years' continuous service, *provided they are not already at or over point 26 on the scale.*

I should be grateful to know if the Prime Minister would be content with these proposals.

I understand that Mr Wolfson also raised the question of whether severance payments for Special Advisers should be enhanced. We and the Cabinet Office (MPO) have considered this but we do not feel that there is sufficient reason for changing the present rules on the quantum of severance payments. We would however be willing to look at any specific cases in which the rules appear to operate unfairly. In response to a suggestion from Peter Cropper we have included in the proposed rules a brief outline of existing superannuation arrangements.

I am copying this letter to Richard Hatfield.

Yours sincerely
John Williams

J WILLIAMS

DRAFT LETTER FROM: SIR PETER MIDDLETON

TO: Permanent Secretaries to Cabinet Ministers

Under arrangements approved by the Prime Minister in May 1979 the salary arrangements for individual Special Advisers are agreed with the Treasury within a framework of rules which places them at defined points on recognised scales and in most cases gives scope for limited incremental progression on these scales.

2. As the result of experience gained since 1979 the Prime Minister has approved certain changes in future arrangements, principally to cater for long-serving Special Advisers whose remuneration needs to be adjusted to reflect their current value to Ministers.

... 3. Details are given in the Annex to this letter. Existing Special Advisers will retain their present salary arrangements unless or until they have completed a total of three years' continuous service, at which point Departments may on the recommendation of employing Ministers propose to the Treasury a revised salary based on the new rules.

ARRANGEMENTS FOR SPECIAL ADVISERS' PAY

Starting Pay

Special Advisers will normally be placed on appointment on one of 28 salary points, which equate to points (inclusive of London Weighting) on Civil Service administration group scales. Details of the scales as they stand at present are shown in the table attached. This will be revised annually in the light of Civil Service pay settlements and recirculated.

2. Starting pay will be assessed primarily by reference to the individual's recent normal remuneration: the assumed "market rate". Starting pay may be higher than this up to a maximum of three scale points (ie three year's normal progression) depending on :-

- a. legitimate salary expectations which normally would be achieved on changing employment or which had been foregone due to a change of employment;
- b. the proximity of the commencement date to 1 April, when the equivalent Civil Service rates are normally reviewed.

3. All starting pay arrangements for individuals will be subject to Treasury agreement.

Salary Progression

4. Special Advisers' pay will be revised annually in line with the corresponding administration group rates.

5. In addition, one increment will be paid on completion of each year's total service, up to a maximum of four increments (provided point 26 is not thereby exceeded).

6. When three years' total service as Special Adviser have been completed without a break (see paragraph 7 below) and on the recommendation of the current employing Minister, up to three extra increments (provided again that point 26 is not thereby exceeded) may be awarded either together or at intervals of a year. These special increments, which would be payable in addition to any annual increment due, are subject to Treasury agreement.

Breaks in service

7. A Special Adviser who leaves but subsequently takes service again will be deemed for the purpose of salary progression to have started afresh; his new starting salary may however be reassessed after a break if the intervening period has demonstrated a higher current "market rate". For this purpose a move to another Department or another employing Minister, or time out during an Election campaign, does not constitute a break.

Existing Advisers

8. These new arrangements will apply to new Special Adviser appointments (including any existing Special Advisers who subsequently leave and are reappointed after a break) and to existing Special Advisers when they have completed a total of three years' service. Existing Special Advisers will otherwise retain their present salary arrangements.

Superannuation arrangements

9. Special Advisers are automatically covered by the PCSPS unless their terms of appointment allow other arrangements. These may be of two kinds. An Adviser could remain a member of some other occupational pension scheme or alternatively could be paying, or might wish to pay, premiums under a personal annuity contract or other acceptable arrangement. In either case prior Treasury approval should be obtained so that authority can be given to the department to pay the employer's share of the contribution or to make an appropriate addition to salary, as the case may be. Any salary addition will take account of the fact that the PCSPS is non-contributory.

Enquiries

10. Any enquiries on the application of these rules should be addressed to Pay 2 Division, H M Treasury (233 3828), who will be glad to help.

TABLE OF SPECIAL ADVISERS' SALARY
POINTS (1953 RATES)

| <u>POINT</u> | <u>SALARY (inclusive)</u> <u>£ pa</u> | <u>CS ANALOGUE SCALE</u> <u>POINT</u> |
|--------------|--|--|
| 28 | 32500 | DS |
| 27 | 28000 | US |
| 26 | 24409 | AS |
| 25 | 23552 | |
| 24 | 22676 | |
| 23 | 21800 | |
| 22 | 20493 | |
| 21 | 19630 | } Inter- polation |
| 20 | 18768 | |
| 19 | 17906 | Prin |
| 18 | 17009 | |
| 17 | 16308 | |
| 16 | 15753 | |
| 15 | 15198 | |
| 14 | 14615 | |
| 13 | 14088 | |
| 12 | 13649 | |
| 11 | 13036 | |
| 10 | 12569 | |
| 9 | 12161 | SEO |
| 8 | 11751 | } Min |
| 7 | 11329 | |
| 6 | 10723 | HEO |
| 5 | 10349 | |
| 4 | 10034 | |
| 3 | 9765 | |
| 2 | 9416 | |
| 1 | 9328 | AT |

INCREMENTS

4 (provided point 26 not exceeded)

ACCELERATED INCREMENTS

Up to 3 on recommendation after 3 years' total service (provided point 26 not exceeded)