

B.F. for  
mtg

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Prime Minister (1) This / 9:15am

Would you like a discussion,  
with the Lord Privy Seal, the Employment  
Secretary, the Lord President, the Chancellor and  
the Chief Whip + Mr Greyson?

PRIME MINISTER

Yes mtg

TRTA

TSRB REPORT ON PARLIAMENTARY PAY AND ALLOWANCES

MCS 24/6

You will recall that before the Election you discussed with some of us the Top Salary Review Body (TSRB) Report No 20, on Parliamentary Pay and Allowances. It was agreed that recommendations made should be for consideration after the Election, but in announcing that you said:

+ Lord

Chanc

+ Def/Sec

"So far as the proposed salaries for Cabinet Ministers are concerned, Members of the Cabinet take the view that the increases proposed are of a magnitude which they could not possibly accept, and trust that Members of Parliament would take a similar view about recommendations affecting their own salaries."

... A copy of the full text of your announcement is at Annex A.

2. We now need to consider the way forward. There are two aspects:

- i. the timing and method of handling in the House;
- ii. our attitude to the substance of the recommendations.

Timing and handling

3. On timing there are considerable advantages to us in getting this out of the way before the Summer Recess. It would be easier to handle in the House and we should avoid having publicity about MPs' pay at the beginning of the new pay round in the autumn. We are, however, committed to wide consultation in the House and there is little time available to us if we are to get the necessary Motion debated before the Recess.

4. The normal procedure would be to table Government Motions which the House would then debate. I have also considered whether there would be advantage in a two-stage procedure on this occasion. The first step would be a "take note" debate on the TSRB Report in which the Government would express no view apart from repeating the remarks in your statement on 12 May 1983. Members would have the opportunity to express their views and the Government would frame the subsequent Motions for debate in the light of opinion expressed in the House. The purpose of proceeding in this way would be to put more of the responsibility for the content of the Motion on the House rather than the Government. My own view is that this course of action has little to commend it. The speeches made in the debate may be an unreliable guide to the general weight of opinion in the House. Moreover the Government cannot escape the final responsibility for framing the substantive Motion. There is also the difficulty that the extra delay involved in proceeding in this way would make it even more difficult to dispose of the matter before the Recess. I therefore propose that we should follow the normal procedure.

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5. There is, however, a significant tactical judgement to be made. We can either table Government recommendations which we think have a good chance of being accepted by the House or we may wish to table Resolutions which we think are likely to be rejected by the House, but whose implementation will then be seen to be the moral responsibility of the House rather than of the Government.

Substance of the recommendations

6. The TSRB have proposed that the salary for MPs should be increased from £14,510 to £19,000 - an increase of 31 per cent. In addition, the Report contains detailed proposals on pensions, including a move to a faster accrual rate; and increases in MPs' and Peers' allowances. For Ministers it has proposed a range of increases from 18 per cent to 71 per cent (including where appropriate the Parliamentary salary). The proposed increase in MPs' pay would cost £2.9 million per annum; the increases in allowances, £5.6 million per annum; and the increases for Ministers £0.8 million per annum. The Votes in question are not cash-limited. In the case of Ministers' pay, the Chancellor will presumably expect Departments to absorb the cost within existing cash limits in the same way as the cost of the main Civil Service settlement.

MPs' salaries

7. In the case of MPs, we are in the first year of the new system recommended by the Select Committee. You will recall that last year we specifically rejected an automatic link between MPs' salaries and the earnings index in years when the TSRB did not report. We said that the matter should be looked at each year, in the light of the average change in pay for appropriate public service groups. But we implicitly accepted that the Review Body reports in the fourth year of each Parliament would be the chief means of putting and keeping MPs' pay on a satisfactory basis - though we gave no commitment to implement them in full.

8. If we rule out full and immediate acceptance of the salary recommendations as indicated in your statement on 12 May 1983, there are two main options available to us:

- i. staged implementation of the TSRB recommendations;
- ii. a single increase less than that proposed by the TSRB.

.../...

9. The difficulty about option ii. is that there is no level of increase which the Government could present as obviously right and which would not give considerable presentational difficulty. An increase in the area of 5 per cent, close to the generality of public service settlements this year, would be inconsistent with the Government's acceptance of the view that the TSRB should be asked to examine the level of MPs' salaries this year. Even an arbitrary halving of the increase would still result in percentage figures which are far in excess of the average in this pay round.

10. My own view is that option i. offers the best prospect of keeping the immediate increases at a modest level and at the same time maintaining the principle that it is for an independent body, the TSRB, to make value judgements about the right level of MPs' salaries. There are several variants of staging which could be considered. My own preference would be for implementation over four years by equal stages, combined with annual uprating based on the full notional pay in issue in the light of the average change in pay for appropriate public service groups. This variant, together with other variants is illustrated at Annex B. I recognise that this would mean a succession of increases, year after year, in excess of the average level of settlements. It nevertheless seems to me to be preferable to proceed in this way rather than to have a single very large increase this year and it offers the prospect that, by the end of this Parliament, we should no longer have a major backlog to make up.

#### MPs' allowances and pensions

11. Whatever we decide on salaries, I attach great importance to our being able to accept in full the non-salary recommendations. Although these recommendations actually cost more than the pay recommendations, they are likely to give us less presentational difficulty, and their acceptance will ease our task considerably in the House.

12. There is one matter that needs particular consideration concerning the pension proposals. The TSRB has proposed a new accrual rate of 1/50th - mid-way between the present 1/60th rate and the 1/40th rate which has been advocated by many MPs because of the problem which most Members have in securing sufficient years of service in the scheme. They have combined this with an increase in the contribution rate from 6 per cent to 8 per cent. Others in the public services (for example the police, armed forces and firemen) have a considerably higher contribution rate, and we have a Manifesto commitment to establish "realistic provisions for public sector pension schemes".

.../...

13. I see great advantage in our accepting the new accrual rate of 1/50th. If it could be demonstrated that a higher contribution rate than the 8 per cent proposed by the TSRB would be justified, I would be prepared to recommend it to the House. I am advised however that there is no wholly convincing basis on which the Government could contest the validity of the proposed 8 per cent contribution rate and I would see little alternative to our accepting it.

14. These proposals, if put into effect, would relate only to future pension payments. This is likely to be a major point of criticism in the House where there is wide-spread dissatisfaction with the adequacy of existing pension arrangements. I do not believe we should consider a grant of back-service pension credits, as was done in 1972. But I have asked the Treasury to consider whether a scheme could be devised which would enable Members to self-finance the back purchase of added years, without cost to public funds.

#### Ministerial pay

... 15. You will obviously wish to consider the Government's attitude to the recommendations about Ministerial salaries (listed at Annex C) in the light of whatever decisions are taken about MPs' pay and allowances. If the staging option is adopted for MPs you may wish to consider whether this should apply also to Ministerial salaries. If however the Government decides to go for a single lower figure for MPs' salaries, it will be necessary to decide what the appropriate figures should be for Ministers and other office holders (including for example the Speaker and the Leader of the Opposition). Another solution, which has been adopted in the past, has been to accept the recommendations but only in nominal terms so that individual Ministers would opt to receive a lower salary although the recommended levels count for pension purposes.

#### Recommendations

16. My recommendations are therefore as follows:

- i. that we should try, if at all possible, to deal with the TSRB Report on Parliamentary Pay and Allowances before the Recess;
- ii. that we should handle the matter in the House in the normal way, ie by putting down a Motion for debate;
- iii. that we should accept the TSRB recommendations as a guide to the level of MPs' salaries to be attained over four years and that we should implement the recommendations in four equal stages with annual uprating on the lines envisaged in the last Parliament;

.../...

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5.

- iv. that we should accept in full the TSRB recommendations on allowances and pensions;
- v. that we should consider our attitude to the recommendations on the salaries of Ministers and other office holders in the light of any decisions we take on MPs' pay.

I am sending copies of this minute to the Lord President, the Chancellor of the Exchequer and the Chief Whip.

WJB

W.J.B.

24 June 1983

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MR ANTONY BUCK: To ask the Prime Minister, if she will make a statement on the Reports of the Review Bodies on the Pay of the Armed Forces, the Doctors and Dentists and Top Salaries.

THE PRIME MINISTER: The reports of the Armed Forces Pay Review Body, the Doctors' and Dentists' Review Body and the Top Salaries Review Body on certain top salary groups and on Parliamentary pay and allowances have been laid before the House today and will be published as Command Papers shortly. Copies are now available in the Vote Office. The Government is grateful to the members of the review bodies for these reports and for the time and care which they have put into their preparation.

The report of the Armed Forces Pay Review Body recommends new rates of pay for servicemen and women applicable from 1 April 1983 which will add 7.2 per cent to the estimated pay bill for 1983/84.

The Government accepts the report, and the necessary steps to implement the new rates of pay, and inform servicemen of the details of the report, will be taken as soon as possible.

The report of the Doctors' and Dentists' Review Body recommends with effect from 1 April 1983 increases in the pay of doctors and dentists which the Review Body estimates would add 6 per cent to the pay bill over and above the costs of implementing in full their recommendations for 1 April 1982; in addition they recommend changes in certain supplementary payments to take account of the hours worked by junior hospital doctors and dentists, which will add a further 1 per cent to the total pay bill.

The House will recall that since 1981 there has been an abatement of the Review Body's recommendations for doctors and dentists which now amounts to 2.7 per cent of the pay bill. The Review Body has strongly urged that this abatement should now be made good. The Government accepts the recommended increases for this year with effect from 1 April 1983. It proposes to make good the abatement with effect from 1 January 1984.

The scales and rates resulting from these decisions will be promulgated as soon as possible.

The two reports from the Top Salaries Review Body, one dealing with the salaries of the higher civil service, senior officers in the Armed Forces and the judiciary, and the other dealing with the salaries of Members of Parliament and of Ministers and other

Office holders and Parliamentary allowances, will be for consideration after the Election.

So far as the proposed salaries for Cabinet Ministers are concerned, members of the Cabinet take the view that the increases proposed are of a magnitude which they could not possibly accept, and trust that Members of Parliament will take a similar view about recommendations affecting their own salaries. The Government believes that any decisions which are reached in the new Parliament about resettlement arrangements should apply also to Members of the present Parliament in relation to their present salaries. The Government acknowledges the need to consult opinion widely before the House reaches a conclusion on the recommendations.

Examples are :

1. Implementation over 4 years by equal stages

1983-84      7 per cent  
 1984-85      7 per cent plus whatever is given to reflect the average  
                  to  
 1986-87      change in pay for the public services (pa).

2. Implementation over 4 years by uneven stages

1983-84      20 per cent  
 1984-85      3 per cent plus whatever is given to reflect the average  
                  to  
 1986-87      change in pay for the public services (pa).

3. Implementation over 2 years

1983-84      20 per cent  
 1984-85      9.2 per cent plus whatever is given to reflect the  
                  average change in pay for the public services  
 1985-86      Increases linked to average change in pay for the  
                  and  
 1986-87      public services

Note: Para 10 of the covering minute recommends that, in order to avoid a progressive diminution of salary and therefore a larger proposed increase when TSRB next reports, the percentage annual increase paid to reflect the average change in public service pay should be based on the full notional MPs' pay and not the actual staged amount in payment.



## MINISTERS AND OTHER PAID OFFICE HOLDERS

Salaries quoted include Parliamentary salary where asterisked

<u>Office</u>	<u>Current salary</u>	<u>Proposed salary</u>	<u>Increase (%)</u>
Prime Minister	46,660*	65,000*	39.3
Lord Chancellor	52,500	62,000	18.1
Mr Speaker	38,785*	55,000*	41.8
Cabinet Minister (Commons)	37,410*	55,000*	47.0
Cabinet Minister (Lords)	28,950	49,500	71.0
Minister in Charge of a Department but Outside the Cabinet	-	-	-
Minister of State (Commons)	29,035*	38,000*	30.9
Minister of State (Lords)	24,200	32,500	34.3
Parliamentary Secretary (Commons)	24,160*	31,000*	28.3
Parliamentary Secretary (Lords)	19,350	25,500	31.8
Attorney General	39,160*	55,000*	40.4
Solicitor General	33,810*	44,000*	30.1
Lord Advocate (Lords)	29,000	38,500	32.8
Lord Advocate (Commons)*	-	44,000*	-
Solicitor General for Scotland	30,210*	38,500*	25.8
<u>House of Commons</u>			
Leader of the Opposition	35,035*	50,000*	42.7
Parliamentary Secretary to the Treasury (Chief Whip)	32,610*	42,000*	28.8
Deputy Chief Whip	29,035*	38,000*	30.9
Opposition Chief Whip	29,035*	38,000*	30.9
Government Whip	21,735*	28,000*	28.8
Opposition Deputy Chief Whip	21,735*	28,000*	28.8
Chairman, Ways and Means	29,035*	38,000*	30.9
Deputy Chairman, Ways and Means	26,585*	34,500*	29.8
<u>House of Lords</u>			
Chief Whip	24,200	32,500	34.3
Deputy Chief Whip	19,350	25,500	31.8
Government Whip	16,925	22,500	32.9
Leader of the Opposition in the House of Lords	19,350	25,500	31.8
Opposition Chief Whip	16,925	22,500	32.9
Opposition Deputy Chief Whip	-	16,500	-
Chairman of Committees	24,200	32,500	34.3
Principal Deputy Chairman of Committees	21,750	29,000	33.3

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