

PREM 19/869

PART Pt 4 ends:-

Lord Plowden to PM 1/7/82

PART 5 begins:-

Ld Plowden to PM 6/10/82

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(80)44th Concs. Min 1	11.12.80
L(81)2	14.1.81
CC(81)6th Concs Min 1	12.2.81
C(81)13	6.4.81
CC(81)15th Concs. Min 5	9.4.81
CC(81)17th Concs Min 5	30.4.81
C(81)21	5.5.81
LCA : CC(81)18th Concs Min 6	7.5.81
CC(81)18th Concs Min 6	7.5.81
CC(81)19th Concs Min 1	14.5.81
CC(81)20th Concs Min 1	21.5.81
C(82)20	5.5.82
C(82)25	20.5.82
CC(82)29th Concs. Min 4	25.5.82
CC(82)32nd Concs Min 4	9.6.82

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed R. Portman

Date 25 Oct. 2012

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

HC 208, 17. 2. 82

Select Committee on Members'
Salaries, Session 1981-82

Signed R. Ponnar Date 25 Oct. 2012

PREM Records Team



OFFICE OF MANPOWER ECONOMICS

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LONDON WC2B 6JY

Telephone 01-405 5944

ex JV
Parliament
Members

Prime Minister (2)

1st July 1982

MS 2/7

CF PPS
R2

ms

1
Dear Prime Minister

Thank you for your letter of June 28th in which you ask the Top Salaries Review Body to undertake a comprehensive review of Parliamentary pay and allowances. The Review Body is glad to undertake this work.

Yours sincerely
Edwin Forster

Chairman
Top Salaries Review Body

The Rt. Hon. Margaret Thatcher, MP
The Prime Minister
10 Downing Street
London SW1



10 DOWNING STREET

THE PRIME MINISTER

28 June 1982

Dear Lord Plowden,

I am writing to invite the Top Salaries Review Body to undertake a review of Parliamentary pay and allowances in time for next year's consideration of these matters by Parliament.

The Review Body were not asked to review Parliamentary pay and allowances last year because at that time the Select Committee on Members' Salaries was still considering the future method of determining Members' pay, and we did not wish to prejudge their conclusions. In the absence of TSRB recommendations the Government proposed, and Parliament accepted, increases in Members' pay, Ministers' pay, Members' secretarial allowance, and the Peers' expenses allowance of 4 per cent this year, the provision included in Estimates.

As you will be aware, the Select Committee published its report in March and recommended firstly that there should be reviews by the TSRB of Members' pay in the fourth year of each Parliament and secondly that between such reviews there should be annual automatic adjustments of Members salaries by reference to the nearest percentile in the New Earnings Survey. The Government and the House of Commons have accepted the first of these recommendations but not the second. In place of an automatic link with the New Earnings Survey, the Government proposed that in the period between TSRB reviews Members' pay should be adjusted annually by the average change in the rates of pay of appropriate groups in the Public Service, and that such adjustments should require a Resolution of the House.

/As the

da

As the coming year is the fourth one of the current Parliament, I would be most grateful if you could undertake a comprehensive review of Parliamentary pay and allowances covering each of the following items:

- i. the salary of Members of the House of Commons;
- ii. the salary of Ministers and office holders;
- iii. the level and structure of Members' Secretarial and Research Assistance Allowance;
- iv. the severance pay and pensions arrangements for MPs, including the accrual rate and the minimum retirement age;
- v. the rates of the Peers' expenses allowance and the secretarial allowance for Ministers and other paid office holders in the House of Lords.

I am aware that the TSRB has considered Parliamentary pensions and severance payments quite recently, but in view of the considerable concern expressed on these matters in the House during the debate on Members' pay and allowances on 10 June, I would be most grateful if you could review them again. The structure of the secretarial allowance has also been the subject of much comment of late and I have no doubt that representatives of Members' secretaries and individual Members themselves will wish to submit evidence to you on this subject.

I should like to add how much the Government appreciates having the informed and independent advice of the Review Body in an area as difficult as Parliamentary pay and allowances.

Yours sincerely
Raymond Stobart

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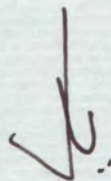
cc Mr. Mount

PA
MR. SCHOLAR

MPs' allowances

I think the Prime Minister should have no illusions about what the Lord President is proposing. When MPs ask for their allowances to be reviewed, what they really mean is increased. It is clearly their, and the Lord President's, expectation that the TSRB would recommend increases in severance pay and secretarial allowances, and improved pensions arrangements.

We think that this Government has been quite generous enough to MPs already. Our recent commitment to the regular TSRB reviews of pay, supplemented by indexation to the public service pay basket, should be more than sufficient to keep MPs ahead. Further concessions will merely reinforce an impression of weakness over pay.



John Vereker

25 June 1982

CONFIDENTIAL



PRIME MINISTER

You will recall that Cabinet agreed in May that, subject to the views of the House of Commons, Members of Parliament should receive an increase of pay this year of 4 per cent and that the TSRB should carry out a review of MPs' pay and allowances in the fourth year of each Parliament with interim annual adjustments in pay to be made in the light of the average change in rates of pay of appropriate groups in the public sector. The necessary Motions were debated and agreed by the House of Commons on 10 June.

The views expressed in this debate confirmed the need for the TSRB to look at several related matters. Both the 1922 Committee and the Parliamentary Labour Party have made representations to me to express concern about existing pensions and severance pay arrangements, and a widespread wish for a fresh examination of these questions was evident in the course of the debate. I am sure a review by the TSRB is now required. A further subject of concern was the appropriate level of the MPs' secretarial allowance. A number of MPs, as well as representatives of secretaries themselves, have sought meetings to express their anxiety on this score and the issue figured prominently in the debate. Again, the guidance of the TSRB will be of material assistance.

I understand that the Review Body are now anxious to set in hand preliminary work as soon as possible and I therefore recommend that you write formally to Lord Plowden in order to get the Review underway. I attach a draft letter to this end.

I am copying this minute to the Chancellor of the Exchequer and to Sir Robert Armstrong.

W J B

JB

24 June 1982



PRIME MINISTER'S OFFICE
WHITEHALL LONDON SW1A 2AA

WJV

PA

MUS 11/6

11 June 1982

Dear Geoffrey,

FUTURE ARRANGEMENTS FOR SETTLING MPs' PAY

Thank you for your letter of ^{*TRM*} 9 June.

I am happy to proceed as you suggest.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

JOHN BIFFEN

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1

17 JUN 1962

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*Parliament
etc SV*



Prime Minister (2)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

MS 10/6

9 June 1982

The Rt. Hon. John Biffen, MP
Lord President of the Council

John Biffen

[Handwritten mark]

FUTURE ARRANGEMENTS FOR SETTLING MPs' PAY

- mcs

Thank you for your letter of 7 June and the draft of your speech tomorrow.

I agree that we should exclude nurses and midwives from the linked groups to be proposed to the House.

The arguments in respect of the three further teaching groups are as you say more finely balanced. While I can see that there could conceivably be some presentational advantage in including them, there could also be the presentational disadvantage that the "basket" might then - wrongly - seem rather heavily weighted to educational groups, just as the original one was rather heavily NHS-weighted. Moreover, in relation to the pay of all three groups Parliament has a direct role - arbitration awards to school and further education teachers in England and Wales can be set aside by resolution of both Houses; those to similar Scottish groups can be set aside by the Secretary of State subject to negative Parliamentary resolution; while those to University teachers are binding on both sides "subject to the over-riding authority of Parliament". One can envisage critics arguing that enlargement of the basket to include the three additional groups could create a conflict of interest. On balance I would prefer no enlargement.

I am entirely content with the draft of your speech.

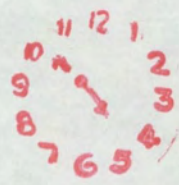
I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

CONFIDENTIAL

5 JUN 1982



Parliament

9 June 1982

CONFIDENTIAL

PA. / *overruled by events*
MCS 10/6

MR SCHOLAR

cc Mr Rickett
Mr Mount

MPs' PAY

We had planned to leave discussion of the Lord President's proposals (his letter of 7 June) until the meeting to be arranged on index-linked pensions; but I think we may have overlooked the Lord President's intention to make his announcement during the debate tomorrow (and the Cabinet minutes record that the House ought to be advised before the end of this week), so I offer these thoughts about his proposals for the basket of comparators, in addition to those you and I have already discussed:

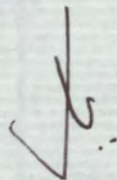
- (i) This is a thoroughly unhelpful comment, but I must make it nonetheless: the more closely the concept of a basket of public service comparators for MPs is examined, the more objectionable it seems. Pay is only one element of remuneration, and linking MPs to some kind of weighted average of other pay rises overlooks job security, pension arrangements, productivity, and changes in supply and demand. It is also a seriously retrogressive step towards comparability.

- (ii) And there are objections to almost every group that is chosen. Ministers have already ruled out manual workers, and nurses and midwives, as being in some intangible sense inappropriate comparators for MPs; and they have quite rightly taken the view that groups with specially favourable arrangements, such as the uniformed services, should also be excluded. Mr Biffen points out that it is illogical to include groups over whose pay Ministers do not have direct control, which rules out local authority employees. Teachers ought to be excluded under that criterion, as well as because teachers' arbitration is subject to House of Commons override. For all we know, that may also be true of civil servants, post-Megaw.

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(iii) So it would be far preferable for Cabinet to reverse its decision to go for a basket of comparators, and leave the interim adjustment to be made each year on the basis of a proposal by the Government, and a vote in the House. Only if that is considered by Ministers to be unsaleable to MPs should we contemplate a basket, and then you and I have already agreed the only thing to do is to throw in as many groups as possible, including all the small ones, to muddy the waters and therefore to make it easier to override the outcome.



JOHN VEREKER

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10 DOWNING STREET

CR

PAP

Prime Minister

MPS pay analogues

If you do not wish to have a meeting - and I am not sure whether you do or not - would you like me to make the point at X in my note?

Told → I will
David Hayhoe leave it
MCS 8/6

to
Mrs John Patten
mt.

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Prime Minister

(1)

cc JV
PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

I think the basket
is uncomfortably empty
- only 3 groups. Shouldn't it

7 June 1982

include many other groups - eg NHS pharmacists,
ambulancemen, local authority

manualls as well as university

teachers, further education teachers?

Should you discuss in the

small group we are

arranging an index-linked

pensions?

FUTURE ARRANGEMENTS FOR SETTLING MPs' PAY

.. I attach my proposed speech on MPs' pay for the debate which is now planned for Thursday 10 June. As presently drafted, paragraph 14 deals with the link between MPs' pay and the pay of various Public Service groups. Following the discussion in Cabinet I would be glad to have your agreement to what I propose to say about this. Mls 7/6

It seems to me that, in choosing the groups to be included, we need to ensure that they represent a widely based segment of the Public Service, although it would not be appropriate to include those groups to whom we have given special commitments, eg the armed forces and the police, nor I think those whose work seems particularly remote from that of MPs, such as manual workers. For practical purposes it would be better to exclude groups settling later than 1 April as these settlements would not be known in time for a debate on MPs' pay before the Summer recess. It would also be an advantage to include only those groups over whose pay Ministers have fairly direct control. This argues against the inclusion of any local authority group, but we cannot omit teachers altogether without making the package look unbalanced. The Secretary of State for Education and Science does at least have a veto on offers to teachers in England and Wales.

Cont .../.

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
LONDON SW1P 3AG

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Would you be content for me to proceed in line with my conclusions in this letter and to inform the House of our decisions on linkage accordingly?

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Travis
John Biffen

JOHN BIFFEN

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MEMBERS' PAY ETC: DRAFT SPEECH FOR THE LORD PRESIDENT

1. WE HAVE TO CONSIDER TONIGHT TWO SEPARATE BUT RELATED ISSUES, ONE SHORT-TERM AND ONE LONG TERM. THE SHORT TERM ISSUE CONCERNS THE INCREASE IN HON MEMBERS' PAY, IN THE SECRETARIAL ALLOWANCE AND IN MINISTERS' PAY IN 1982; I SHALL DEAL WITH THESE MATTERS FIRST. THE LONG-TERM ISSUE CONCERNS THE WAY THAT HON MEMBERS' PAY IS TO BE SETTLED IN FUTURE. IT IS AN ISSUE ON WHICH WE HAVE THE REPORT BY THE SELECT COMMITTEE ON MEMBERS' SALARIES TO ASSIST US.

2. I HAVE ALREADY TOLD THE HOUSE ABOUT THE GOVERNMENT'S PROPOSALS FOR 1982, IN ANSWER TO A PARLIAMENTARY QUESTION BY MY HON FRIEND THE MEMBER FOR NELSON AND COLNE. IN THE ABSENCE OF RECOMMENDATIONS BY THE TOP SALARIES REVIEW BODY THIS YEAR, WE CONSIDERED THAT IT WAS REASONABLE TO INCREASE MEMBERS' PAY, MEMBERS' SECRETARIAL AND RESEARCH ASSISTANCE ALLOWANCE AND MINISTERS' PAY BY 4 PER CENT EACH, IN LINE WITH THE PAY FACTOR INCLUDED IN ESTIMATES. THE REASON WHY THE TSRB WAS NOT ASKED TO REVIEW MEMBERS' PAY AND ALLOWANCES THIS YEAR IS THAT AT THE TIME WE WOULD HAVE HAD TO MAKE THE REQUEST, THE SELECT COMMITTEE WAS STILL CONSIDERING MEMBERS' PAY AND WE DID NOT WISH TO PREJUDGE THEIR CONCLUSIONS.

3. THE GOVERNMENT'S PROPOSALS ARE NOT GENEROUS, BUT IN THE CIRCUMSTANCES I DO NOT CONSIDER THAT THEY ARE UNREASONABLE.

4. TURNING BRIEFLY TO THE SPECIFIC MOTIONS, HON MEMBERS WILL SEE THAT THERE ARE TWO DEALING WITH THEIR 1982 PAY INCREASE. THE FIRST IS AN AMENDABLE EXPRESSION OF OPINION. THE SECOND BEARS THE QUEEN'S RECOMMENDATION AND THE AMOUNTS ON IT CANNOT BE INCREASED. THE HOUSE MAY RECALL FROM PREVIOUS DEBATES THAT THIS SECOND MOTION IS REQUIRED BECAUSE AN EFFECTIVE RESOLUTION OF THE HOUSE IS NECESSARY TO INCREASE EXCHEQUER CONTRIBUTIONS TO MEMBERS' PENSION FUND AND TO INCREASE THE PAY OF THE UNITED KINGDOM MEMBERS OF THE EUROPEAN ASSEMBLY IN LINE WITH THAT OF MEMBERS OF THIS HOUSE. THE EFFECT OF THESE MOTIONS WOULD BE TO INCREASE THE PAY OF ORDINARY MEMBERS TO £14,510 WITH EFFECT FROM 13 JUNE, AND THE PARLIAMENTARY SALARY OF MINISTERS AND OTHER OFFICE HOLDERS TO £8460.

5. THE MOTION ON THE SECRETARIAL ALLOWANCE INCREASES THE MAXIMUM OF THE ALLOWANCE IN FULL YEAR TO £8,820, WITH A FURTHER £882 AVAILABLE TO ENABLE AN HON MEMBER TO MAKE PENSION CONTRIBUTIONS FOR HIS OR HER EMPLOYEES. AS IS USUAL, NO MOTIONS HAVE BEEN TABLED ON MEMBERS' OTHER ALLOWANCES, THAT IS THE ADDITIONAL COSTS ALLOWANCE, THE LONDON ALLOWANCE AND THE CAR

MILEAGE ALLOWANCE. THEY WILL BE ADJUSTED IN THE NORMAL WAY FOLLOWING CHANGES IN THE EQUIVALENT CIVIL SERVICE ALLOWANCES. HOWEVER THERE IS ONE SMALL CHANGE THAT I NOW PROPOSE CONCERNING TRAVEL ARRANGEMENTS FOR MEMBERS' FAMILIES. AS THINGS STAND MEMBERS' SPOUSES ARE ENTITLED TO UP TO 15 FREE RETURN JOURNEYS TO WESTMINSTER ON PARLIAMENTARY BUSINESS. MY PREDECESSOR RECEIVED REPRESENTATIONS FROM SEVERAL HON MEMBERS TO THE EFFECT THAT, FOR MEMBERS WITH YOUNG FAMILIES, THE SPOUSE COULD NOT GENERALLY TRAVEL TO WESTMINSTER WITHOUT BRINGING THE CHILDREN, AND THAT THE FREE TRAVEL WARRENT SYSTEM FOR SPOUSES SHOULD THEREFORE BE EXTENDED TO CHILDREN, WITHIN THE EXISTING LIMITS. THE GOVERNMENT ACCEPTS THAT THIS IS A REASONABLE PROPOSITION AND THE MOTION BEFORE THE HOUSE PROVIDES FOR MEMBERS' CHILDREN UNDER 18 TO TRAVEL FREE TO WESTMINSTER UNDER THE SAME CONDITIONS AS CURRENTLY APPLY TO SPOUSES. THE TOTAL NUMBER OF FREE RETURN JOURNEYS AVAILABLE TO MEMBERS' FAMILIES WILL REMAIN AT 15 A YEAR.

6. THE MOTION ON MINISTERS' PAY INVITES THE HOUSE TO APPROVE THE DRAFT ORDER WHICH INCREASES THE PAY OF MINISTERS AND OTHER OFFICE HOLDERS BY 4 PER CENT. THE RATES SHOWN IN THE ORDER FOR THE PRIME MINISTER AND THE LORD CHANCELLOR ARE THE RATES THAT MAY BE PAID TO THE HOLDERS OF THESE OFFICES AND WILL APPLY

FOR PENSION PURPOSES. HOWEVER, AS IN PREVIOUS YEARS, MY RIGHT HON FRIEND AND MY RIGHT HON AND NOBLE FRIEND WILL DRAW ONLY THE SAME SALARY AS THEIR CABINET COLLEAGUES.

7. THE LAST MOTION STANDING IN MY NAME ON THE ORDER PAPER CONCERNS THE GOVERNMENT'S PROPOSALS FOR DEALING WITH MEMBERS' PAY IN THE LONGER TERM. BEFORE DESCRIBING THEM, I WOULD LIKE TO THANK THE SELECT COMMITTEE ON MEMBERS' SALARIES, WHOSE REPORT FORMS THE STARTING POINT OF WHAT I SHALL HAVE TO SAY, FOR ALL THEIR EFFORTS. MEMBERS' PAY IS A NOTORIOUSLY DIFFICULT SUBJECT FOR THIS HOUSE AND, EVEN THOUGH I AM NOT ABLE TO AGREE WITH THEIR CONCLUSIONS IN EVERY RESPECT, I CONSIDER THAT THE SELECT COMMITTEE HAVE PRESENTED THE HOUSE WITH A MOST CONSTRUCTIVE REPORT.

8. THE SELECT COMMITTEE RECOMMENDED, FIRSTLY, THAT THERE SHOULD BE A REVIEW OF MEMBERS' PAY BY THE TOP SALARIES REVIEW BODY ONCE DURING THE FOURTH YEAR OF EACH PARLIAMENT. IF THIS WERE PRECLUDED BY SHORTENED PARLIAMENTS A NEW REVIEW SHOULD BE UNDERTAKEN NOT MORE THAN FOUR YEARS AFTER THE SALARIES DERIVED FROM THE PREVIOUS REVIEW BECAME PAYABLE. THE SELECT COMMITTEE'S SECOND RECOMMENDATION WAS THAT THERE SHOULD BE ANNUAL AUTOMATIC INTERIM ADJUSTMENTS OF SALARIES BY REFERENCE TO INCREASES IN THE NEAREST PERCENTILE OF THE NEW EARNINGS SURVEY.

9. THE GOVERNMENT ACCEPTS THE FIRST OF THESE RECOMMENDATIONS. THERE IS GREAT VALUE IN HAVING A COMPLETELY INDEPENDENT REVIEW OF MEMBERS' SALARIES. IF THE QUESTION WERE LEFT ENTIRELY TO THE HOUSE, I SUSPECT THAT WE SHOULD HAVE GREAT DIFFICULTY IN ARRIVING AT AN ACCEPTABLE FIGURE. MOREOVER THERE WOULD CERTAINLY BE SOME PUBLIC SUSPICION THAT WE WERE TREATING OURSELVES TOO GENEROUSLY, EVEN IF PRECISELY THE REVERSE WAS THE CASE. I BELIEVE THAT HAVING THE INDEPENDENT REVIEW TOWARDS THE END OF EACH PARLIAMENT IS SENSIBLE. IF, HOWEVER, A SHORTENED PARLIAMENT KNOCKS US OFF COURSE, THERE IS NOTHING TO STOP US FROM HAVING TWO REVIEWS SEPARATED BY LESS THAN 4 YEARS TO GET US BACK ON IT AGAIN.

10. THE COMING YEAR IS THE FOURTH ONE OF THIS PARLIAMENT. SUBJECT TO THE VIEWS OF THE HOUSE, THEREFORE, WE PROPOSE TO ASK THE TSRB TO CONDUCT A REVIEW IN TIME FOR NEXT YEAR'S DEBATE ON MEMBERS' PAY. WE WOULD ALSO ASK THEM TO REVIEW MINISTERS' PAY, THE SECRETARIAL ALLOWANCE AND SUCH OTHER ASPECTS OF MEMBERS' PAY, IN THE BROAD SENSE SPECIFIED BY THE SELECT COMMITTEE, AS MAY NEED TO BE LOOKED AT.

11. HOW MEMBERS' PAY IS ADJUSTED BETWEEN REVIEWS ALSO POSES A PROBLEM. THE GOVERNMENT RELUCTANTLY ACCEPTS THAT THERE SHOULD BE SOME FORM OF ADJUSTMENT BY REFERENCE TO CHANGES IN OUTSIDE SALARIES, IE SOME FORM OF LINKAGE. WE HAVE NO ENTHUSIASM FOR THE IDEA, BUT IN VIEW OF RESOLUTIONS OF THE HOUSE

ON THIS SUBJECT IN RECENT YEARS AND OF WHAT THE SELECT COMMITTEE SAY, WE ACCEPT IT. HOWEVER WE CANNOT AGREE THAT THE LINK SHOULD BE AUTOMATIC OR THAT IT SHOULD BE WITH THE NEW EARNINGS SURVEY. ALTHOUGH THERE ARE EXAMPLES OF PAY INCREASES OPERATED BY AN AUTOMATIC FORMULA, IT IS NOT A PRACTICE I BELIEVE SHOULD BE FURTHER ENTRENCHED AND CERTAINLY NOT IN AN AREA AS SENSITIVE AS MEMBERS' SALARIES.

12. AS FOR THE FORM OF THE LINK, WHATEVER MAY BE THE RELATIONSHIP IN THE LONG RUN BETWEEN AVERAGE EARNINGS AND THOSE IN THE PUBLIC SERVICE, IT IS RIGHT IN PRINCIPLE THAT MPs PAY SHOULD KEEP IN STEP WITH THAT OF PUBLIC SERVANTS. ANY OTHER SYSTEM WOULD BE CERTAIN TO GIVE RISE TO BAD FEELING. MOREOVER THE NEW EARNINGS SURVEY IS PUBLISHED IN NOVEMBER AND COVERS EARNINGS IN THE YEAR ENDING WITH THE PREVIOUS APRIL. THE CHANGES IT RECORDS ARE THEREFORE ON AVERAGE OVER A YEAR OLD WHEN IT IS PUBLISHED. THIS COULD GIVE RISE TO GREAT DIFFICULTY IN A PERIOD WHEN THE RATE OF INCREASE IN PAY SETTLEMENTS WAS FALLING.

13. AS AN ALTERNATIVE WE PROPOSE THAT BETWEEN REVIEWS THE GOVERNMENT SHOULD MOVE ANNUAL MOTIONS TO EFFECT CHANGES IN MEMBERS' SALARIES AND IN SO DOING SHOULD BE GUIDED BY THE AVERAGE CHANGE IN THE RATES OF PAY OF APPROPRIATE GROUPS IN THE PUBLIC SERVICE FOR THE PERIOD CONCERNED. THERE ARE SEVERAL IMPORTANT POINTS IN THIS FORMULATION. THE FIRST IS THAT, AS NOW, MEMBERS' PAY WOULD BE ADJUSTED FOLLOWING AN ANNUAL DEBATE; THERE WOULD NOT BE AN AUTOMATIC ADJUSTMENT. THE SECOND IS THAT ALTHOUGH THE GOVERNMENT WOULD BE GUIDED BY THE AVERAGE INCREASE

FOR PARTICULAR PUBLIC SERVICE GROUPS, AND WOULD NORMALLY EXPECT TO PROPOSE TO THE HOUSE AN ADJUSTMENT IN MEMBERS' PAY THAT CORRESPONDED TO THIS AVERAGE, THERE COULD BE CIRCUMSTANCES WHERE THIS COURSE COULD NOT BE FOLLOWED FOR ONE REASON OR ANOTHER. IN SHORT, THE GOVERNMENT RESERVES THE RIGHT TO RESPOND FLEXIBLY TO EXCEPTIONAL CIRCUMSTANCES.

14. THE MOTION REFERS TO "APPROPRIATE GROUPS IN THE PUBLIC SERVICE". THE GROUPS I HAVE IN MIND ARE THE NON-INDUSTRIAL CIVIL SERVICE, PRIMARY AND SECONDARY TEACHERS, NHS DOCTORS AND DENTISTS AND NHS ADMINISTRATORS. IT IS NOT NECESSARY TO MAKE A FINAL DECISION ABOUT THE GROUPS TO BE INCLUDED AT THIS STAGE. HOWEVER THE GENERAL PRINCIPLES ARE CLEAR: THE GROUPS SHOULD REPRESENT A WIDELY BASED SEGMENT OF THE PUBLIC SERVICES BUT PARTICULAR GROUPS TO WHOM THE GOVERNMENT HAS GIVEN SPECIAL COMMITMENTS, SUCH AS THE ARMED FORCES AND THE POLICE, SHOULD BE EXCLUDED. AS I ENVISAGE THAT THE AVERAGE PAY INCREASE FOR ALL GROUPS WOULD BE WEIGHTED BY NUMBERS IN THE GROUP, THERE WOULD BE LITTLE POINT IN INCLUDING NUMERICALLY SMALL GROUPS. THE GROUPS I HAVE MENTIONED ALL HAVE THEIR SETTLEMENT DATE ON 1 APRIL. THIS IS USEFUL AS IT MEANS THAT, ON THE ONE HAND, THE CHANCES IN PAY WOULD BE RECENT ONES, UNLIKE WITH THE NES LINK, AND, ON THE OTHER, THAT THE SETTLEMENTS SHOULD HAVE BEEN CONCLUDED IN TIME FOR A DEBATE ON MEMBERS' PAY BEFORE THE SUMMER RECESS.

15. THE GOVERNMENT DOES NOT PROPOSE TO APPLY LINKAGE TO MINISTERS' PAY, OR TO THE SECRETARIAL ALLOWANCE. BETWEEN TSRB REVIEWS THESE ITEMS WOULD BE REVISED ON AN AD HOC BASIS.

16. A GOOD DEAL OF PASSION IS AROUSED BY THE QUESTION OF LINKAGE BUT IN THE SCHEME THAT I HAVE OUTLINED HERE, AND THAT RECOMMENDED BY THE SELECT COMMITTEE, IT IS REALLY ONLY OF SECONDARY IMPORTANCE. THE PERIODIC REVIEWS BY THE TSRB WILL BE THE CHIEF MEANS OF KEEPING MEMBERS' PAY ON A SATISFACTORY BASIS. PROVIDING THESE ARE UNDERTAKEN REGULARLY IT DOES NOT MATTER MUCH IF THE INTERIM ARRANGEMENTS ARE APPROXIMATE RATHER THAN PRECISE.

17. IF THE HOUSE SUPPORTS THE PROPOSALS I HAVE OUTLINED HERE THEN I BELIEVE WE WILL HAVE TAKEN A MODEST STEP IN THE DIRECTION OF FREEING MEMBERS' PAY FROM THE CAPRICIOUS CIRCUMSTANCES THAT HAVE ATTENDED IT IN RECENT YEARS. DOUBTLESS WE SHALL HAVE OUR QUOTA OF PROBLEMS IN THE FUTURE. I HOPE, HOWEVER, THAT WE SHALL AVOID THE WORST PITFALLS. THE HOUSE, I AM SURE, WILL NOT EXPECT A PERFECT ARRANGEMENT, BUT I AM CONVINCED THAT THE GOVERNMENT'S PROPOSALS OFFER A MODEST AND TANGIBLE WAY FORWARD.

18. THEREFORE I URGE THE HOUSE TO SUPPORT THE VARIOUS MOTIONS STANDING IN MY NAME.

CONFIDENTIAL

Parliamentary Review

PRIME MINISTER

Cabinet: M.P.s' Pay

The moral impact of M.P.s' pay rises reverberates through the economy. The June, 1979 settlement was a political disaster. Conversely, we have seen this year how a moderate pay offer can be turned to the advantage of the pay round as a whole.

The Select Committee have been tempted, as M.P.s have been before, to try to devise "orderly arrangements": in this case, a combination of an independent review and an automatic link. Superficially attractive, both these elements are open to serious objection.

Independent Review. Review bodies often come up with politically unacceptable recommendations. In theory, the Government could still mobilise its majority to slice off the top of any excessive pay recommendation. But in practice, any interference with the sacred automaton would be vigorously resisted. The business of scrutinising, modifying or over-ruling the recommendations of a review body would be painful and untidy, and the Government would risk running into even greater trouble from its own supporters than it does under the present system.

Automatic Link. All such links are bound to push M.P.s up the pay scale. That, after all, is the real intention behind the claim. M.P.s would benefit from productivity gains and wage drift elsewhere in the economy.

The Select Committee's proposals are an attempt by Parliament to weaken the Government's power over the levels of M.P.s' pay. It is as if the Select Committee is acting as the national executive of the M.P.s' trade union. And the result could be widely resented - if, for instance, M.P.s got away with significantly more than the going rate in private industry.

We are, therefore, doubtful about the recommendations in the memorandum from the Chancellor and the Lord President; and suggest that it would be better to proceed as follows:

/(i) If

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CONFIDENTIAL

-2-

- (i) If it would command a majority in the House - which we are not in a position to judge, although we think the assumption in the paper is open to question - it would be best to continue to treat M.P.s' pay as we have this year, by a vote in the House on the basis of an annual proposal by the Government.
- (ii) If the judgment is that M.P.s must be given more than that, the next best option is the four-yearly review without automatic adjustments - the interim pay rises should be determined by the Government.
- (iii) If some form of annual automatic adjustment is absolutely unavoidable, the link with public service comparators is preferable to the link with the NES; and
- (iv) the Government should, in any case, argue that new pay determination arrangements for M.P.s would be premature until the shape of public service pay determination generally becomes clearer after the report of the Megaw Inquiry.

FM

FERDINAND MOUNT

24 May, 1982

CONFIDENTIAL



CONFIDENTIAL

Ref. A08509

PRIME MINISTER

Future Arrangements for Settling the Pay of MPs

(C(82)25)

BACKGROUND

This memorandum by the Chancellor of the Exchequer and the Lord President of the Council is concerned only with the longer-term arrangements for settling the pay of MPs: the Government has already announced that its proposal for the current year is an increase in pay and allowances of 4 per cent; this should be effective from 13 June.

2. In recent years up to 1980, the pay of MPs was the subject of annual recommendations by the Top Salaries Review Body (TSRB). In 1980 the Government felt unable to recommend full implementation, although in 1981 there was a 6 per cent increase which brought MPs' pay about $1\frac{1}{2}$ per cent above the 1980 proposals. As a result, the House of Commons set up a Select Committee to consider possible alternative systems. The Select Committee has recommended:

a. that the TSRB should review MPs' pay and allowances once during the lifetime of each Parliament; and

b. that pay should be adjusted automatically each year between reviews by a system of indexation based on movements in average earnings as estimated by the Department of Employment's New Earnings Survey (NES).

3. C(82)25 proposes that the Government should accept the recommendations regarding the TSRB and the principle of indexation (subject to the approval in each case by the House of Commons of the resulting pay increases); but that it should reject the proposal to use the NES as the index - instead, there should be a link with a 'basket' of public service comparators. It proposes that the Government's views should be announced during the debate on the proposed increase in MPs' pay, which the Lord President expects to take place shortly before 13 June, and an appropriate motion tabled for that debate.



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MAIN ISSUES

4. The main issues for consideration seem to be as follows:

i. should there be periodic reviews of MPs' pay by the TSRB? should this cover also MPs' and peers allowances and Ministers' salaries?

ii. should the TSRB be asked to conduct the first such review in time for the settlement of MPs' pay due in June 1983?

iii. should there be a system for automatic adjustments of MPs' pay between reviews?

iv. if so, what should it be?

v. when and how should the Government make its views known?

Periodic reviews

5. It is unlikely that there will be much disagreement with the suggestion that an important part of the system of determining MPs' pay and allowances should be some form of outside review: for either the House of Commons or the Government to take the sole, or even the dominant, role would create obvious difficulties. Nor is there any natural candidate to conduct the review other than the TSRB.

6. As C(82)25 points out, because it is impossible to be certain exactly how long a Parliament will last there must be some flexibility in the timing of reviews. However, as the paper argues, a four-yearly review with the first one in 1983 seems about right.

7. It seems unlikely that there will be objection to the proposal that, if the TSRB is asked to review MPs' pay, it should also be asked to review MPs' allowances and the expense allowances of peers. There is perhaps more likely to be some discussion of the suggestion that the pay of Ministers should also be reviewed

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once every four years by the TSRB. It may be suggested that the pay of Ministers should not be reviewed by the TSRB but should be the subject of separate recommendations to Parliament by the Government on the basis of what the TSRB recommends for MPs. But different considerations apply in the two cases, and it seems most sensible to keep Ministers' salaries under separate review from MPs' pay, and to ask the TSRB to review them either at the same intervals as it reviews MPs' pay or (see para. 15 below) every year.

An immediate review

8. If the TSRB makes recommendations in time for the adjustment of MPs' pay and allowances in 1983, these may create problems for the handling of what seems likely to be a difficult pay round. On the other hand, there is no other opportunity for a review by the TSRB during the lifetime of the present Parliament. For the Government to refuse to allow it to go ahead would not doubt be attacked as tantamount to a rejection of the Select Committee's recommendation. The only alternative would be to use the TSRB's 1980 recommendations as a base for automatic adjustments on the lines recommended by the Select Committee. This would require early decisions to be taken on the adjustment mechanism, and would throw even more weight on the comparability factors.

Automatic adjustments between reviews

9. Although it is possible to separate the question whether there should be a system of automatic adjustments from the question of the basis of the system, it is likely to be convenient to discuss the two together. It might well be dangerous to become committed to the principle of automaticity without having a clear idea of how it would work.

10. It will no doubt be argued that automatic adjustments between reviews are an essential part of the Select Committee's recommendations: they are necessary if MPs' pay is not to be the subject of constantly recurring political controversy.

11. On the other hand, it is likely to be argued that a system based on comparability (and a particularly loose form of comparability at that), and giving MPs credit for



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pay increases elsewhere which may be financed by improvements in productivity or reductions in staff numbers, would be contrary to the Government's approach to public service pay.

12. It may also be suggested that, considerations of principle apart, it would be unwise to establish a link with the pay of the non-industrial Civil Service and nurses in the National Health Service, since their systems of pay determination are due to be reviewed when the Megaw Committee has reported.


13. If the arguments against automatic adjustment are thought to be the stronger, the Government could announce that it was unwilling to endorse the Select Committee's recommendations. An alternative would be to decline to express a view at this stage on how interim adjustments should be made between TSRB reviews: the Government could reasonably say that it wished to defer a decision until it had considered the Megaw recommendations. Either approach might well be unsatisfactory to opinion in the House of Commons; but if the House went its own way, that might be less embarrassing to the Government as employer than voluntary acceptance of what, ex hypothesi, it would regard as an unsatisfactory system.

Approval of pay increases by the House of Commons

14. It seems unlikely that, notwithstanding the Select Committee's preference for automaticity, there will be any objection to the suggestion that all increases in MPs' pay should be subject to approval by the House of Commons.

Adjustment between reviews to Ministers' salaries and MPs' and peers' allowances

15. The paper proposes that, whatever may be decided about automatic adjustments to MPs' pay, Ministers' salaries and MPs' and peers' allowances should be dealt with between reviews on an ad hoc basis. So far as Ministers' Salaries are concerned, this would throw squarely on to the Government the duty of deciding how they should move between reviews: neither the embarrassment nor the cover of an independent recommendation would be available. This seems to have all the makings of considerable political embarrassment for the Government of the day. It might be preferable for the TSRB to review Ministerial Salaries every year.



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Timing

16. The Lord President of the Council is likely to report that the debate on MPs' pay should be held shortly before 13 June and that the Government should make its views known by tabling a motion for approval in the debate. The Opposition parties have indicated that they will acquiesce in the proposed 4 per cent increase this year only if it is put into early effect. You would wish to question this timing if the earlier discussion should suggest that the Government would be in a substantially better position to take a view on the other issues if it waited for two or three weeks. However, that seems unlikely: the Megaw Report might be available during this period; but it is bound to be several months before the Government is able to take a view on its recommendations.

HANDLING

17. The main Ministerial responsibility rests with the Lord President of the Council; and you will wish him to introduce the memorandum. You might then invite the Chancellor of the Exchequer to add any points that he wishes. Ministers with responsibility for public service pay, especially the Secretaries of State for Social Services, for Education and Science, and for Employment will probably wish to comment. The Lord Privy Seal will have an interest as Leader of the House of Lords, and perhaps from the Management and Personnel Office standpoint. You may wish to ask the Chief Whip about opinion in the House of Commons.

CONCLUSIONS

18. You will wish the Cabinet to reach conclusions on the following:

- i. Should the Government accept the proposal that MPs' pay and allowances should be regularly reviewed by the TSRB? Should such reviews extend to the pay of Ministers, MPs' allowances, and the peers' expense allowance?
- ii. If so, should the first review be undertaken in time for next year, with subsequent reviews at four yearly intervals or thereabouts?

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iii. Should the Government endorse the principle of automatic adjustment of MPs' pay between TSRB reviews, and if so what should that basis be?

Or, should the Government say that it does not intend to come to a view for the time being on how interim adjustments should be made, at least until it has had time to reach conclusions on the recommendations of the Megaw Committee?

iv. Should increases in MPs' pay be subject to approval in each case by the House of Commons?

v. Should Ministers' salaries, and MPs' and peers' allowances, be dealt with ad hoc between the TSRB reviews?

vi. Should the Government make its views known by tabling a motion in a debate on MPs' pay shortly before 13 June?

RA

ROBERT ARMSTRONG

24th May 1982

CONFIDENTIAL



se JV ①
Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Agree to circulation

of this paper to

Cabinet ?

26 April 1982

(Subject to the Lord

President's agreement)

MUS 27/4

Michael Scholar
10 Downing Street
LONDON
SW1

Dear Michael

MP'S PAY

In your letter of 20 April to John Kerr, you reported on the meeting that day on the subject of MP's pay, and recorded in the Prime Minister's summing-up a remit to the Treasury to bring forth proposals to Cabinet on MP's pay for 1982. I attach such a draft paper, approved by the Chancellor of the Exchequer. You will note that it refers to the pay of Ministers as well as of MP's, pointing out that in the past they have normally been dealt with together, and recommending that they should receive the same treatment this year. The paper also deals with the question of those allowances which are adjusted at the same time as pay.

When we have clearance for this paper, we will arrange for its early circulation to Cabinet.

I am copying this letter to the Private Secretaries, to the Lord President, the Chancellor of the Duchy of Lancaster and the Chief Whip and to David Wright (Cabinet Office).

Yours ever
Peter

P S JENKINS

DRAFT CABINET PAPER

PAY OF MPs AND MINISTERS IN 1982

PAPER BY THE CHANCELLOR OF THE EXCHEQUER

1. The Select Committee on Members' Salaries published its report last month. The report recommends reviews of MPs' pay each Parliament by the Top Salaries Review Body and the automatic adjustment of Members' salaries between reviews by reference to increases in the nearest percentile of the New Earnings Survey. It would be difficult for us to accept the report in its entirety: in particular I have very strong reservations about the proposed link with the New Earnings Survey which would be an unhelpful development for our general approach to public service pay. However, there is no immediate urgency in settling the future system for determining MPs' pay and much to be said for our taking this more slowly. The Lord President and I will put to Cabinet a paper on the report at a later stage.

2. The Select Committee concerned itself solely with questions of future pay arrangements. It made no proposals on the level of pay increase in 1982. Unlike previous years, the TSRB have not been asked to review the pay and allowances of MPs in 1982. This was because the Select Committee's review was in progress. We therefore start from a clean slate in the sense that we have no specific recommendations before us for a 1982 increase although some MPs may take the view that the Select Committee's approach could be applied to updating the TSRB recommendations of 1980. An "up-dating" linkage with pay movements generally could point to an increase for 1982 of the order of 25 per cent.

3. The final decision on Members' salaries rests with the House of Commons. I believe that the House will insist on some increase this year whether or not decisions have been reached on future arrangements. A strong case can be made for an increase ^{being} / no more than 4 per cent. If this is what we decide there would be advantage in an early announcement that we will propose this figure to the House. There are a number of public service groups whose pay negotiations or arbitrations have yet to be completed, including teachers, nurses and various other NHS employees, and Local Authority administrative, professional, technical and clerical staff. An announcement of our proposal of 4 per cent for MPs might well influence negotiations and arbitrations for these groups towards moderate settlements. Any indication that we were prepared to contemplate offering more to MPs would certainly put strong upward pressure on all outstanding public service pay settlements. Though increases in MPs' pay are not themselves very costly, the repercussions would be.

4. Since we came into office, MPs have had very large increases in pay. The increase of 74 per cent agreed for them in 1979 was paid in three stages between 1979 and 1981. In 1980 they received a further 9.6 per cent, admittedly somewhat less than the 14.6 per cent proposed by the TSRB. Last year the TSRB recommended only that MPs' pay should be brought up as quickly as possible to the higher level they had recommended for 1980. In the event we decided to give MPs a further 6 per cent on top of their earlier increases.

This brought their salary to £13,950. This was £200 more than the recommendation by the TSRB in 1980 reiterated in their 1981 report. Although there was obviously a large element of "catching up" in the increases they have received an MPs salary is therefore now over double what it was in May 1979.

5. Against this background the Lord President and I are agreed that we should propose to the House a 4 per cent increase in MPs' pay this year.

6. The majority of Ministers have had a pattern of increases similar to that for MPs over the last few years (though Cabinet Ministers have done a little worse). I suggest that they too should get 4 per cent this year and that we should announce this at the same time as our proposals on MPs.

7. The TSRB has in the past dealt with two smaller matters when reviewing the pay of MPs and Ministers: secretarial and research assistance allowances of MPs and the Peers' expense allowance. I propose that MPs' allowances should be increased by 4 per cent in line with their pay and it would presumably be appropriate to increase by the same amount the Peers' expenses allowance and the secretarial allowance for Lords Ministers.

Conclusion

8. I invite the Cabinet to agree that we should propose to the House of Commons that the pay of MPs [and of Ministers and MPs' secretarial allowances] should be increased by 4 per cent this year and that we should make an immediate announcement of our intentions. An early announcement might also enable us to say that while we are not yet in a position to respond to the Select Committee's report we have very considerable doubts about the part of their recommendation which suggests linking MPs' pay to the NES.



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27 APR 1962



*Parliament
members* JK

10 DOWNING STREET

From the Private Secretary

20 April 1982

CONFIDENTIAL AND PERSONAL

Dear John,

MPs' PAY

The Prime Minister discussed this morning the questions on MPs' pay raised in the Lord President's minute to her of 29 March and in the Chancellor's minute on the same subject of 31 March. The Chancellor of the Exchequer, the Home Secretary, the Lord President, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment and the Chief Whip were present.

The Lord President said that there were two issues to consider. The first was the 1982 settlement for MPs' pay; in June it would be twelve months since MPs' last pay increase. The second issue was the report of the Select Committee on Members' Salaries, and in particular their recommendation that between TSRB Reviews MPs' pay should be annually adjusted by reference to increases in the nearest percentile in the Department of Employment's New Earnings Survey (NES). The Lord President said that an announcement by the Government that they did not accept the Select Committee's recommendation on linking with the NES would, if it were unaccompanied by any positive statement about the Government's intentions, inflame opinion in the House. There was at present little interest in the House in the report. In these circumstances it seemed better to allow matters to rest, since he believed that many Members on both sides would, when it came to it, wish the conclusions of the report to be accepted. He would, accordingly, prefer to postpone any debate and any conclusion on this second issue until later in the summer.

In discussion it was argued that there were two reasons for the Government to take an early opportunity of making it clear that indexation of MP's pay was not acceptable:

- (i) it would be inconsistent with ^{policy in} the public services generally, where the Government was arguing for pay increases well below the levels that would be indicated by indexation, on the basis of market factors and affordability;

/ (ii)

B

CONFIDENTIAL AND PERSONAL

- (ii) and it would make it very much harder to extricate the employers from indexation arrangements already in place and under review in the police and fire services.

It was further argued that there was a case for a rapid announcement of the Government's view, both as to this year's pay increase and towards the proposed NES link. Arguably, MPs should get an increase of less than 4 per cent, given that many civil servants were being offered no increase at all. So far as the NES link was concerned, this was a clearly inflationary proposal: indeed, by choosing the NES, the Select Committee had opted for the most expensive form of index-linking, and one which was particularly inappropriate for those whose pay increases could not be offset by increased productivity. Against this, it was argued that if a proposal for linkage came to a vote, the House would almost certainly vote in favour. Given the undesirability of this in relation to pay policy generally, the best course would be to put off for as long as possible the moment at which the matter came to any vote. There was an argument for simultaneously rejecting the NES link, and proposing instead a link with a particular Civil Service grade. But there were considerable problems about the point at which to make the linkage. A link with the Assistant Secretary grade in the Civil Service would mean an immediate hike in MPs' pay. On the other hand a link with the Principal grade would probably be unacceptable to many MPs. It would be better, as Mr. Pym had indicated in his evidence to the Select Committee, to devise a linkage to a basket of public sector posts, which might include the Civil Service, so as to avoid adding a new and unwelcome political dimension to Civil Service pay determination.

Summing up, the Prime Minister said that it was agreed that the Treasury should soon bring forward proposals to Cabinet on MPs' pay for 1982. They should also later bring forward proposals for responding to the Select Committee's report, encompassing the idea of a basket of public sector posts as a link point for MPs in the longer term. The aim would be to concentrate attention on the 1982 pay issue, and to deal with the Select Committee's report in a longer time scale. Meanwhile, if Ministers were asked, they should make it plain that the Government had not accepted the Select Committee's recommendations and, in particular, that they had strong reservations about the link with the NES. If it proved necessary to put proposals before Parliament to override the Civil Service arbitrator or the teachers' pay arbitrator, it would probably be necessary positively to reject the link proposal.

I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Lord President, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment, and the Chief Whip, and to David Wright (Cabinet Office).

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
HM Treasury.

DRAFT LETTER FROM MICHAEL SCHOLAR TO JOHN KERR

CONFIDENTIAL AND PERSONAL

b.c. JV

MPs Pay

The Prime Minister discussed this morning the questions on
MPs' pay raised in the Lord President's Minute^{to her} of 29 March
and in the Chancellor's minute on the same subject of 31 March.
~~In addition to~~ The Chancellor of the Exchequer, the Home Secretary,
the Lord President, the Chancellor of the Duchy of Lancaster,
the Secretary of State for Employment and the Chief Whip were
present.

The Lord President said that there were two issues to
consider. The first was the ¹⁹⁸² settlement ^{for} of MPs' pay in 1982;
~~given that~~ in June it would be twelve months since MPs' last pay
increase. The second issue was the report of the Select ^(the proposed)
Committee, and in particular their recommendation that ^{between TSRB Reviews} MPs' pay
^{annually adjusted by reference to increases in the nearest percentile in the Department of Employment's}
should be ~~linked to the~~ New Earnings Survey (NES). The Lord President
said that an announcement by the Government that they did not
accept the Select Committee's recommendation on linking with
the ~~new~~ NES would, if it were ^{unaccompanied} ~~unaccompanied~~ by any positive statement
about the Government's intentions, inflame opinion in the House.
He believed that many Members on both sides would ^{when it came to it,} wish the
conclusions of the report to be accepted. He would ^{accordingly,} prefer to
postpone any debate and any conclusion on ^{this second issue} the ~~matter~~ until
later in the summer.

TAKE IN NEW PARA ON P3.

~~In discussion,~~ It was ^{further} argued that there was a case for a
rapid announcement of the Government's view, both as to this year's

/ pay increase

m Members Salaries

There was at present little interest in the House in the report. In these circumstances it seemed better to allow matters to rest, since

~~There was a case~~ Arguably, MPs should get an increase of less than 4% given that many Civil servants were

NES - 2 - being offered no increase at all. So far as the linkage was concerned, this was a clearly inflationary proposal: indeed, by choosing the NES, the Select Committee had opted for the

pay increase - say, a maximum of 4 per cent - and towards the proposed linkage. Against this, it was argued that if a proposal for linkage came to a vote, the House would almost certainly vote in favour. Given the undesirability of this in relation to pay policy generally, the best course would be to put off for as long as possible the moment at which the matter came to any vote.

There were, however, considerable problems about the point at which to make the linkage. A link with the Assistant Secretary grade in the Civil Service would mean an immediate hike in MPs' pay. On the other hand a link with the Principal grade would probably be unacceptable to many MPs.

There was ~~had indicated in his evidence to the Select Committee, to a case for devising a linkage to a basket of public sector posts, including one from the Civil Service, so as to avoid adding a new and~~ ~~unwelcome political diversion to Civil Service pay determination.~~

Summing up, the Prime Minister said that it was agreed that the Treasury should bring forward proposals to Cabinet soon on MPs' pay for 1982. They should also, perhaps later, bring forward proposals for responding to the Select Committee's report, encompassing the idea of a basket of public sector posts as a link point for MPs in the longer term. The aim would be to concentrate attention on the 1982 pay issue, and to deal with the Select Committee's report on a longer time scale. Meanwhile, if Ministers were asked, they should make it plain that the Government had not accepted the Select Committee's recommendations and, in particular, any relation to a link with the NES. If it proved necessary to put proposals before Parliament to override the Civil Service arbitrator or the teachers' pay arbitrator, it would probably be necessary to take a firmer stance on this. reject the link proposal.

to further towards an outright rejection of

There was an argument simultaneously for rejecting the NES link, and proposing instead a link with a particular civil service grade. But.

most expensive form of index linkage, and one which was particularly inappropriate for those whose pay increases could not be offset by increased productivity.

It would be better, as Dr Lyon said, to have a basket of public sector posts, including one from the Civil Service, so as to avoid adding a new and unwelcome political diversion to Civil Service pay determination.

that in they had some reservations about the relation to a link

positively

take a firmer stance on this. reject the link proposal.

to further towards an outright rejection of

I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Lord President, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment, and the Chief Whip, and to David Wright (Cabinet Office).

New para 3 :

In discussion it was argued that there were two reasons for the Government to take an early opportunity of making it clear that indexation of R.P. pay was not acceptable:

- (i) for the public service generally, ^{where} the Government was arguing for ~~the~~ pay increases will below the levels that would be indicated by indexation, on the basis of market factors and affordability;
- (ii) and it would make it very much harder to extricate the employers from indexation arrangements already in place and under review in the police and fire services.

It would be inconsistent with

~~for 12.15 meeting~~

Prime Minister

Parliament
Members

PRIME MINISTER

X is relevant
to Monday's meeting.

cc: Mr. Hoskyns
Mr. Ingham

MUS 16/4

MPs PAY

mt

If your schedule tomorrow permits, I hope it will be possible for the meeting on MPs pay planned after Cabinet to take place - it can be short: but one decision really is needed which may be important in the wider context of public sector pay.

+ That is the need for an early statement that, whatever arrangements will be made for MPs pay as a result of the Select Committee's report, they are certainly not going to include indexation in any form. Indexation would tend to link MPs to that part of the private sector with larger than average pay rises, and to earnings rather than reported settlements: the effect would be a substantial upward pressure on public sector pay generally, which would be bound to be imitated elsewhere.

The difficult, but less urgent, issues of longer term pay determination arrangements for MPs, as well as the issue of whether MPs and Ministers should get a pay rise at all this year, can certainly wait until after Easter - and preferably until the dust has settled from the rest of this pay round, i.e. late summer.

J.

5 April 1982



10 DOWNING STREET

①

Prime Minister

MPS pay

Meeting arranged for Tues 6 April.

Lord President, Chief Whip,

Chief Secretary (Chancellor in

Wales), Home Secretary, Cecil

Parkinson + John Verker.

Agree to add Norman

Tebbit ?

Yes not

MCS 1/4

Mike

He will be in
Brussels - es



*Parliament
members*

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

1 April 1982

M. Scholar, Esq.,
Private Secretary,
10, Downing Street

Dear Michael

✓ MP's PAY

Would you please amend your copy of the Chancellor's minute to the Prime Minister about MP's Pay as follows:

Paragraph 1, line 8.

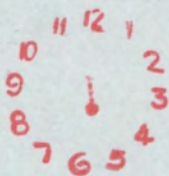
After "Select Committee" insert "was set up
Ministers were prepared to contemplate
linking MPs'"

I am copying this letter to the private secretaries to members of Cabinet, the Chief Whip and Sir Robert Armstrong.

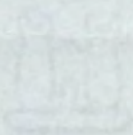
*Yours sincerely
David Gault*

D.J. BARTON

1 APR 1982



COMMISSION



Prime Minister

①



This proposal is for discussion
at your meeting on Tuesday.

Should we also invite Norman
Tebbit?

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

Yes not

MUS 2/4

MPs' PAY

Norman Tebbit

I have seen a copy of Francis Pym's minute to you about our response to the Report of the Select Committee on MPs' pay. There is one point on which I would like to comment immediately as I think we should make a very early move. It concerns the recommendation that between periodic reviews the pay of Members should be increased automatically each year "by reference to increases in the nearest percentile in the Department of Employment's New Earnings Survey". When the Select Committee was set up Ministers were prepared to contemplate linking MPs' pay to "a designated group of outside occupations" - (just as the pay of Prison Officers is linked to movements in the pay of certain designated grades of civil servants). But by choosing the New Earnings Survey the Select Committee have opted for just about the most expensive solution - as we have found with the Police who enjoy a similar linkage.

2. My worry is that if we leave this particular element of the recommendations unrefuted every public service group currently negotiating its pay with its employers, or preparing its case for arbitration, will say "Me too". If this is to be avoided the sooner we can get a public disclaimer on the record, the better.
3. If we can do this we can then consider the other issues which arise on MPs' and Ministers' pay this year at slightly more leisure, as Francis suggests.
4. I am copying this minute to members of Cabinet, the Chief Whip and Sir Robert Armstrong.

D.B.

(Approved by the Chancellor & PP
Signed in his presence)

(G.H.)
31 March 1982



10 DOWNING STREET

①

Prime Minister

MPs pay

The question is whether to leave unchallenged until the end of April a report which recommends the indexation of MPs pay: there must be some risk of this weakening our case before the Civil Service and Teachers arbitrators.

Agree that discussion of the report, together with the 1982 pay issue for MPs and Ministers, should be postponed until after the Review Bodies reports and

The Civil Service arbitration?

Agree that, meanwhile, the Lord
President should go as far as he
can, without antagonising backbenchers,
to ruling out indexation - i.e. a
somewhat higher profile than at X?

Or would you like an early
discussion, with Francis Pym, the
Chancellor and the Chief Whip
and with the Whittles
on the whole issue? ^{at least}
R. Calverley

Would prefer to
discuss in the smaller group
MCS 29/3

Judy Joon
mb



100 JV

PRIME MINISTER

SELECT COMMITTEE ON MEMBERS' SALARIES

As you know, the report of the Select Committee on Members' Salaries was published on 23 March. The report recommends that:-

- (i) The Top Salaries Review Body should conduct a review of Members' salaries once during the fourth year of each Parliament with a view to that Parliament taking a decision on the recommendations. When shortened Parliaments make this impossible the TSRB should conduct a new review not more than four years after the salary derived from the previous review became payable.
- (ii) Between TSRB reviews there should be automatic annual adjustment of Members' salaries by reference to increases in the nearest percentile in the Department of Employment's New Earnings Survey. The House should agree to these automatic interim adjustments at the same time as it takes its decision on the TSRB's recommendations. The adjustments would take place in November when the New Earnings Survey is published.

The report also mentions the idea, though it makes no recommendation, that the House of Commons Commission should take the responsibility for presenting the Vote for Members' pay and allowances (para 25); the intention of such a change would be to remove Members' pay from Government control. - *but the taxpayer has to find*

US had news
The report expresses the view that Members' salaries should be somewhat higher than they are now (para 16), but it does not recommend a specific figure, nor does it discuss salary increases in 1982. We will, however, need to consider this question. Subject to your views, and those of colleagues, I believe that we should consider the 1982 increase at the same time as our response to the Select Committee. Some of the options for this year could depend to some extent on the view we take on the future arrangements. I also think that we will not be in a good position to decide about MPs' pay this year until we have seen and thought about the TSRB's recommendations on the judiciary, the higher Civil Service and senior officers of the armed forces, and until we know the outcome of a number of the other public service pay claims still under consideration, notably the arbitration case for the majority of the Civil Service.

.../...

With this in mind, I would propose to submit to Cabinet a paper dealing with both the 1982 increase for MPs (and Ministers) and the Select Committee's recommendations when these other issues are clearer, perhaps in late April. In the meantime I propose that we should answer questions about the report by saying that we are considering its recommendations carefully and will put proposals to the House in due course. The suggested link with the New Earnings Survey is likely to give us particular difficulties and we must therefore take care not to give Members grounds for optimism.

When we have reached decisions, I suggest that we move fairly quickly to a debate in the House on both the 1982 increase and the future arrangements.

I am copying this minute to other members of the Cabinet and to Sir Robert Armstrong.

FP

29 March 1982

29 MAR 1982

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CONTROL

CONFIDENTIAL

MR. SCHOLAR

PJ
c. Mr. Pattison

REPORT OF THE SELECT COMMITTEE ON MPs PAY

The Select Committee's Report is unhelpful to the Government's public sector pay policy. Inevitably, given their terms of reference and the history of this issue, the Committee has come up with a combination of a four yearly review by the TSRB, and indexation in the interim in line with the new earnings survey - almost precisely the formula which is causing us so much trouble with the police (a high proportion of MPs comparators would be in that part of the private sector with larger than average pay rises, and the survey looks at earnings which are invariably higher than reported settlements). They also show many signs of thinking that MPs' pay can somehow be taken out of the political arena by being settled by the House of Commons Commission, and by having the indexation authorised by a single resolution at the beginning of each Parliament, although those are lesser issues.

I hope that this Report will not go unchallenged for long. The Government should lose no time in making it clear to the House that, whatever arrangements will be made henceforward for MPs' pay, they are not going to include indexation in any form. Otherwise, we risk weakening our case before the Civil Service arbitrator, and also - if we get there - the teachers' arbitrator. I note that the Leader of the House, in his evidence dated 8 July 1981, said that he thought Members' salaries have reached the point at which they are reasonably remunerated. Nine months having passed, that may no longer be true: but it would be helpful if Mr. Pym could be encouraged to make an early statement ruling out any link to the new earnings survey.

That will leave open the question of what, if any, pay increase MPs will receive this year - and, more interestingly, how that will be determined. There are this year no arrangements for MPs pay, because the TSRB was not asked to report on it (nor, indeed, on Ministers' pay). So there will be no basis for discussion of increases in MPs' pay or allowances. Nor is there any fixed timetable: last year's increase - the final stage of the 1980 TSRB report, cut down to 6% by Cabinet on 7 May - came into effect on 13 June.

/The Prime Minister

CONFIDENTIAL

CONFIDENTIAL

- 2 -

The Prime Minister may feel that these two issues, the immediate handling of the Select Committee's Report, and how to arrive at any increase in MPs' pay this year, need to be discussed rather soon with her colleagues immediately concerned.



25 March 1982

CONFIDENTIAL

CONFIDENTIAL

MR. PATTISON

MR

cc Mr. Scholar
Mr. Hoskyns

Report of the Select Committee on MPs Pay

The Select Committee's Report is unhelpful to the Government's public sector pay policy. Inevitably, given their terms of reference and the history of this issue, the Committee has come up with a combination of a four yearly review by the TSRB, and indexation in the interim in line with the new earnings survey - almost precisely the formula which is causing us so much trouble with the police. They also show many signs of thinking that MPs pay can somehow be taken out of the political arena by being settled by the House of Commons Commission, and by having the indexation authorised by a single resolution at the beginning of each Parliament, although those are lesser issues.

I hope that this Report will not go unchallenged for long. The Government should lose no time in making it clear to the House that, whatever arrangements will be made henceforward for MPs pay, they are not going to include indexation in any form. Otherwise, we risk weakening our case before the Civil Service arbitrator, and also - if we get there - the teachers' arbitrator. I note that the Leader of the House, in his evidence dated 8 July 1981, said that he thought Members' salaries have reached the point at which they are reasonably remunerated; it would be helpful if he could be encouraged to say that again, and before the Easter Recess.

J.

24 March 1982

CONFIDENTIAL

CONFIDENTIAL

Parliament members (2)



Prime Minister

Ms 19/1

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

19 January 1982

M MacLean Esq.
Private Secretary
12 Downing Street
LONDON
SW1

ms

Dear Paulo,

MPs' PAY

will request if required

You sent the Chancellor a manuscript note dated 13 January about the proceedings of the Select Committee on the pay of Members of Parliament.

The Chancellor is worried that the report of this Committee could be embarrassing to Government as to content and timing, and would be most grateful if the Chief Whip could take such steps as are open to him to find out the broad lines of the recommendations they are likely to make. Obviously the sooner the better, since we need to decide what action if any we need to take.

I am copying this letter to Michael Scholar at No 10 and to David Hayhoe in the Lord President's Office.

Yours ever,
J O Kerr

J O KERR

9 JAN 1982

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Parliament

18 January 1982

Extension of the spouse warrant system to Members'
Children

The Prime Minister has seen your letter to me of 14 January, and is content with what the Lord President proposes.

I am sending a copy of this letter to Murdo Maclean (Chief Whip's Office).

M A PATTISON

D.C.R. Heyhoe, Esq.,
Lord President's Office.



Government Chief Whip
12 Downing Street, London SW1

✓
MAP

18 January 1982

EXTENSION OF THE SPOUSE WARRANT SYSTEM TO
MEMBERS' CHILDREN

with MAP?
Thank you for sending me a copy of your letter of
14 January to Mike Pattison.

I have only two comments on this. Firstly, I think
that before any motion is tabled there would have to
be some consultation through the usual channels.
Secondly, I think that there must be some upper age
limit on the "children".

I am sending a copy of this letter to Mike Pattison.

(M MACLEAN)

D C R Heyhoe, Esq
Private Secretary to the Lord President of the Council



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

14 January 1982

Prime Minister

Content?

MAJ 15/1

Yes mb

After date,

EXTENSION OF THE SPOUSE WARRANT SYSTEM TO MEMBERS' CHILDREN

By virtue of the House of Commons resolution of 22 July 1975, spouses of Members of Parliament are entitled to claim free travel warrants for up to a maximum of 15 return journeys a year to London.

The Lord President has received representations from some Members suggesting that for those Members with young families it would be useful if these warrants could be used by their children as well as their spouses, subject to the same overall maximum of 15 per year.

Although the Top Salaries Review Body in its report of February 1980 came down against extension of the free travel warrant system, they did not give any compelling reasons for their view and the Lord President considers that the idea is a reasonable one which is likely to be welcomed by all sides of the House. The extension would produce no significant increase in Public Expenditure.

Subject to the Prime Minister's views, the Lord President proposes to table a motion extending the free travel warrant arrangement to Members' children at the time of the next periodic review of Members Allowances, which is likely to be next June or July if the Government decide to increase these allowances this year.

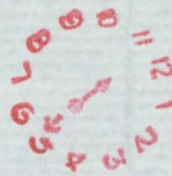
I am sending a copy of this letter to Murdo Maclean.

*Car over
David.*

D C R HEYHOE
Private Secretary

M Pattison Esq
Private Secretary
10 Downing Street
London SW1

THE GOVERNMENT
OF THE STATE OF TEXAS



15 JAN 1982



Mr. P. ... / to see ...

MAD

Wm
2/12
Pali members

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

30 November 1981

W Rickett Esq
Private Secretary
Prime Minister's Office
No.10 Downing Street
LONDON SW1

Dear Willie,

Since Louise Birnie wrote on 26 August to Tony Mayer and all other Ministerial Private Secretaries the Inland Revenue have been considering the exact wording of the text of the notes on income tax for Members of Parliament and have made some minor drafting changes to paragraphs 6 (iii)-(v). These do not affect the sense of those paragraphs or reflect any changes in the way the Revenue propose to operate the rules but do, it is hoped, bring out more clearly the point made in the third paragraph of Louise's letter that occasional use of "Parliamentary" accommodation for non-Parliamentary purposes will be disregarded. I attach the revised draft instructions. The revised wording is underlined.

I am copying this letter to all Ministerial Private Secretaries.

Yours,
Jim

JILL RUTTER
Private Secretary

NOTES ON INCOME TAX FOR MEMBERS OF PARLIAMENT

NEW PARAGRAPHS 6 (iii) - (v)

Ministers

- (iii) A Minister by reason of his Ministerial office is regarded as having to live in or near London. Ordinarily, therefore, no part of the cost of living in London is admissible as a deduction, although a Minister with a constituency outside London may claim against his remuneration as a Member the additional cost of living which he has to incur wholly, exclusively and necessarily in carrying out his Parliamentary duties in the constituency.
- (iv) Where, however, the home or constituency residence of such a Minister is outside but within daily commuting distance of London and the Minister's normal practice is to travel daily from that place to perform his Ministerial duties in London, he may alternatively claim to deduct from his remuneration as a Member the additional costs of living which he has to incur wholly, exclusively and necessarily in carrying out his Parliamentary duties at Westminster.
- (v) 'London' is taken to include a 20-mile radius of the Palace of Westminster and a place is taken to be within daily commuting distance if the normal practice of the Minister is to stay in London only when his Parliamentary duties so require and otherwise to travel daily to perform his Ministerial duties.

22 DEC 1981

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8765

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CONFIDENTIAL



~~cc Miss Porter~~ (copy) Parliament members
1. WFSR to see of R
2. NA
MAF 28/11

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

25 September 1981

T Lankester Esq.
10 Downing Street
LONDON
SW1

Dear Tim,

TAX TREATMENT OF MINISTERIAL RESIDENCES

On 25 August 1977 Kingsley Jones sent you a note on the tax implications for Ministers of occupying Ministerial residences. The intention was that this could be made available as definitive guidance on the subject as and when questions arose.

.....
The original note was prepared shortly after the law was changed in 1977 and since it was written a number of enquiries have been received and dealt with by the Inland Revenue. I now attach an updated version of the note prepared by the Inland Revenue at the request of the former Minister of State, Peter Rees, which incorporates a small amount of new material designed to clarify the position in relation to certain residences not mentioned in the original note, amplifies the statutory references and takes account of the increase in the earnings threshold from £7500 to £8500.

In the past we have found that when the Prime Minister has offered a Minister the use of Government accommodation, his Private Secretary has in the first instance sought guidance in the tax consequences from No. 10. We have therefore thought it desirable that the information in your hands should be as comprehensive as possible. Inland Revenue are of course available to deal with questions arising from the note.

Yours ever
Peter

P.S. JENKINS
Private Secretary

TAX TREATMENT OF MINISTERIAL RESIDENCES

I. Accommodation

1. Under the provisions of Section 33 of the Finance Act 1977, there is no liability to tax in respect of the provision of accommodation for an employee or office holder if either -

- a. it is necessary for the performance of his duties that he should reside in the accommodation; or
- b. the accommodation is provided to enable him to perform his duties better, and it has been the practice to provide accommodation for that particular class of employees or office holders to which he belongs; or
- c. because of a special threat to the security of the employee or office holder, special security arrangements are in force and he resides in the accommodation as part of those arrangements.

2. The provision of accommodation for the Prime Minister at No. 10 Downing Street, for the Chancellor of the Exchequer at No. 11 Downing Street, for the Foreign Secretary at No. 1 Carlton Gardens, for the Defence Secretary at Admiralty House and for the Lord Chancellor at the House of Lords, falls within category b. and no liability to tax therefore arises on the part of any holder of those offices in respect of that accommodation. The former office of Commonwealth Secretary also fell within b. and the former Lord Privy Seal's (Sir Ian Gilmour) occupation of No. 1 Carlton Gardens was treated accordingly.

3. The provision of accommodation for other Ministers at Admiralty House would come within category c. so long as Ministers occupying that accommodation were subject to special security arrangements, and whilst that situation persisted there would be no liability to tax on their part in respect of that accommodation.

4. For various reasons occupation by Ministers of the following residences does not attract a charge under Section 33, Finance Act 1977: Chequers; Bute House, Edinburgh; Stormont, Belfast; Dorney Wood; Chevening House.

5. All other Ministers occupying Government accommodation would be liable to tax under Section 33, Finance Act 1977, on the annual value of the accommodation.

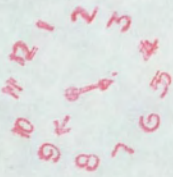
II. Services

6. An office holder or employee earning £8500 a year or more, who is provided with services (such as light, heat, maintenance, furniture and so on) in addition to accommodation, is taxed on the cost of such provision as a benefit in kind. Section 63A, Finance Act 1976 (inserted by Section 34, Finance Act 1977) provides that where by reason of Section 33(4) Finance Act 1977 he is exempt from tax on the accommodation, the amount taxable in respect of any services provided shall not exceed 10 per cent of the emoluments of the office or employment to which the benefits relate, less any payment he makes towards those services.

7. Ministers occupying accommodation which is exempt by reason of Section 33(4), Finance Act 1977, are therefore taxable in respect of the services provided for their personal use in the private part of their residences, but the amount on which they are taxed will in no circumstances exceed 10 per cent of their Ministerial salary, less any contribution they make towards the cost of those services. The basis of liability is however the actual cost if this is less than 10 per cent of their salary. Where the accommodation is only available to the Minister for part of the year, then the amount of his salary (for the purpose of the 10 per cent) and the cost of services are adjusted as appropriate.

8. The Property Services Agency will provide details of the actual cost of services, but any correspondence as to the amount taxable should be carried on between the individual Minister (or his accountants) and the Inspector of Taxes.

28 SEP 1981





Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

M Pattison Esq
Prime Minister's Office
10 Downing Street
Whitehall
London SW1

Prime Minister 2.

This letter promulgates
the one change in
Ministerial tax
allowances which
was recommended
by the Chancellor.

26 August 1981

MAD
26
mm.

mt

Dear Mike

I am writing to you, and to all other Ministerial Private Secretaries to let you know of a change in Revenue practice regarding Ministerial tax allowances.

The Law Officers together with the Inland Revenue have recently examined the position, for tax purposes, of London accommodation expenses incurred by Ministers with provincial constituencies, which until now have been disallowed. After full consideration of the relevant statutory provisions and the authorities on the point, they have concluded that one change in Revenue practice would be appropriate, which may improve the position of some Ministers; but that otherwise, the Revenue's existing practice is the only one that would be supported by the Courts.

The change is that, as an alternative to claiming the additional cost of living in their constituencies, Ministers representing provincial constituencies with homes, including constituency residences, outside but within commuting distance of London, who also have accommodation close to Westminster which is used solely for Parliamentary duties, should now be allowed relief where hitherto they have been denied it. For this purpose the test that the Revenue will apply will be whether in fact a Minister does generally travel daily between that place and Whitehall to perform his Ministerial duties when Parliamentary business does not require his presence in town. If such a Minister occasionally uses his "Parliamentary" accommodation when he is in London on other, eg Ministerial, business such dual purpose use will be disregarded.

A revised print of the "Notes on Income Tax for Members of Parliament" issued by HM Inspector of Taxes, Public Departments (1), will be available by the time Parliament reassembles in October. A copy of the new paragraphs 6 (iii) - (v) to be substituted in the current print is attached as Annex A. In the meantime, you may wish to draw this new interpretation of the law to your Minister's attention.

Yours ever
Louise Buning

PRIVATE SECRETARY



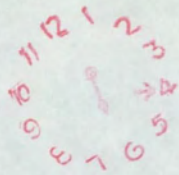
NOTES ON INCOME TAX FOR MEMBERS OF PARLIAMENT

NEW PARAGRAPHS 6 (iii) - (v)

Ministers

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- (iv) Where, however, the home or constituency residence of such a Minister is outside but within daily commuting distance of London and the Minister travels daily from that place to perform his Ministerial duties in London, he may alternatively claim to deduct from his remuneration as a Member the additional costs of living which he has to incur wholly, exclusively and necessarily in carrying out his Parliamentary duties at Westminster.
- (v) 'London' is taken to include a 20-mile radius of the Palace of Westminster and a place is taken to be within daily commuting distance if the Minister normally travels daily to perform his Ministerial duties, staying overnight in London only when his duties as a Member require it.

26 AUG 1981



~~PC~~ J. Vachew
A. Duguid.

Parliament

From the Private Secretary



Civil Service Department
Whitehall London SW1A 2AZ

01-273 4400
6 July 1981

David Hayhoe
PS/Chancellor of the Duchy
of Lancaster
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

2...

177

Dear David,

LINKAGE OF MPs' PAY

You copied to the Lord President the letter of 30 June from the Chancellor of the Duchy to the Prime Minister. The Lord President is content with the paper the Chancellor of the Duchy proposes to submit to the Select Committee on MPs' pay.

I am copying this letter to Willie Rickett at No 10, and to other Private Secretaries to the recipients of Mr Pym's letter.

Yours sincerely,
Jim Buckley.

J BUCKLEY

7 JUL 1981



MR. HANKESTER



12

10 DOWNING STREET

6 July 1981

Pauline

LINKAGE OF MPs' PAY

You will have seen the Chancellor's letter of 6 July commenting on the Chancellor of the Duchy's letter of 30 June to the Prime Minister about linkage of MPs' pay to a designated group of outside occupations.

This is just to say that we entirely endorse the points made by the Chancellor; and to make two further comments. First, although the draft note makes it clear that it is not intended to address the question of the desirability of linkage, some of the wording - particularly that in the seventh sentence of paragraph 7 - would leave one to think that the Government attached more importance to comparability than it does to market factors, which is not, of course, the case. It is precisely because comparators other than the Civil Service have some basis in market reality that we would want to see them included. Second, I wonder whether it is consistent with the role that the Civil Service is going to play in the linkage to suggest that the normal settlement date for MPs' pay should remain 13 June: there may be a case for putting MPs on 1 April, like a very large number of other public service groups.

G. M. M. VEREKER

David Heyhoe, Esq.,
Chancellor of the Duchy of Lancaster's Office.

cc J. Harris p/s Chancellor



*de J. Verch
& Bernard*

with

NBOM?

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

6 July 1981

The Rt. Hon. Francis Pym, MC., MP.,
Chancellor of the Duchy of Lancaster

*12
6/17*

Dear Chancellor,

LINKAGE OF MPs PAY

with MAP

Thank you for sending me a copy of your letter of 30 June to the Prime Minister. I have only one comment on your draft paper. It does seem to me that the arguments against linkage with a few Civil Service grades are much stronger than the paper suggests.

(a) It would give MPs a direct financial interest in the pay of the grades concerned.

(b) If the Review Body recommends an improvement in the relative position of MPs, this will be treated by the grades concerned as evidence that the pay increases that they have received in the past are inadequate.

(c) If the Review Body recommends a reduction in the relativity, this will lead to criticisms from MPs of what will be represented as the Government's excessive generosity to the comparator grades; it might also lead to criticisms to the effect that MPs had been overpaid for some years.

I would therefore suggest that the final section of paragraph 7 of the draft should be amended so as to bring out these objections and to steer the Select Committee towards a "basket" containing groups from more than one public service. This would not entirely avoid the difficulties mentioned above; but it would much reduce them, and ensure that MPs pay could not be introduced as an issue in any particular set of public service pay negotiations.

I am sending a copy of this letter to the other recipients of yours.

Yours sincerely,

R. S. Tothick, for,
GEOFFREY HOWE

[Approved by the Chancellor and signed in his absence]

16 JUL 1981

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CONFIDENTIAL

DS



10 DOWNING STREET

From the Private Secretary

6 July 1981

Dear David

Linkage of MPs' Pay

The Prime Minister has now considered the Chancellor of the Duchy's letter of 30 June and the draft paper which he enclosed with it which he intends to put to the Select Committee. She has said that she is content with the draft subject to any points which the Chancellor of the Exchequer may have. (The Chancellor of the Exchequer has now of course sent his comments in his letter of 6 July.)

I am sending a copy of this letter to John Halliday (Home Office), John Wiggins (HM Treasury), Jim Buckley (Lord President's Office), Richard Dykes (Department of Employment), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

Yours ever

Mike Pattison

David Heyhoe, Esq.,
Office of the Chancellor of the Duchy of
Lancaster.

CONFIDENTIAL

EH



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

6 July 1981

The Rt. Hon. Francis Pym, M.C., M.P.,
Chancellor of the Duchy of Lancaster

Dear Chancellor,

LINKAGE OF MPs PAY

Thank you for sending me a copy of your letter of 30 June to the Prime Minister. I have only one comment on your draft paper. It does seem to me that the arguments against linkage with a few Civil Service grades are much stronger than the paper suggests. *-with MP*

(a) It would give MPs a direct financial interest in the pay of the grades concerned.

(b) If the Review Body recommends an improvement in the relative position of MPs, this will be treated by the grades concerned as evidence that the pay increases that they have received in the past are inadequate.

(c) If the Review Body recommends a reduction in the relativity, this will lead to criticisms from MPs of what will be represented as the Government's excessive generosity to the comparator grades; it might also lead to criticisms to the effect that MPs had been overpaid for some years.

I would therefore suggest that the final section of paragraph 7 of the draft should be amended so as to bring out these objections and to steer the Select Committee towards a "basket" containing groups from more than one public service. This would not entirely avoid the difficulties mentioned above; but it would much reduce them, and ensure that MPs pay could not be introduced as an issue in any particular set of public service pay negotiations.

I am sending a copy of this letter to the other recipients of yours.

Yours sincerely,

R. T. Tothick, for,

GEOFFREY HOWE

[Approved by the Chancellor
and signed in his absence]

CONFIDENTIAL

file

289
Parliament



10 DOWNING STREET

From the Private Secretary

3 July 1981

The Prime Minister has seen the Chancellor's minute of 30 June about tax allowances for Ministers and MPs. She is grateful for the thorough examination of these issues which the Chancellor has had undertaken.

Although she is disappointed with the outcome, she accepts the Chancellor's advice that current legislation allows only one small re-interpretation of the law, and that it is not possible to contemplate changes in legislation at present either for Members of Parliament alone or on a wider basis.

She is therefore content that the Chancellor should proceed as proposed in paragraph 4 of his minute.

M. A. PATTISON

Peter Jenkins, Esq.,
H. M. Treasury.

f



10 DOWNING STREET

PRIME MINISTER

Here is the Chancellor's response to your enquiries about tax allowances for Ministers and MPs.

You will find this disappointing. The one small change will be extremely selective in its effect. But you will see that the Law Officers are firmly of the view that no further reinterpretation is possible within existing law, whilst the Chancellor is equally firm ~~in~~ that the law cannot be changed simply to benefit Ministers, and that wider legal changes could not be contemplated at present.

I understand, incidentally, that the Chancellor has also had some informal enquiries made of other counsel, and that their responses were no more favourable. Indeed, some found it difficult to justify the existing tax treatment of MPs' allowances.

Are you prepared to accept the Chancellor's advice, and to leave matters as they stand subject to the one reinterpretation?

Yes not MP

2 July 1981



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

TAX ALLOWANCES FOR MINISTERS AND MPs

You will remember that following the discussion we had shortly after assuming office, I asked Peter Rees to examine with the Inland Revenue the position, for tax purposes, of London accommodation expenses incurred by Ministers with provincial constituencies. I reported to you the arguments and conclusion of that enquiry in my minute of 11 August 1980. The conclusion was that, without a specific change in the law, which I judged to be unacceptable if confined to Ministers, and undesirable if of wider application, the Revenue would have to continue to disallow the expenses of such Members, when they became Ministers. You then asked to see the full text of the legal opinions and, after studying these, commented, in your Private Secretary's letter of 26 August, that the proposition that on appointment to a Ministerial post a Member's duties at Westminster become essentially Ministerial in character, was nonsense, and asked that the Law Officers' advice be sought. The proposition you criticised was not in fact the basis of Revenue practice, but your hope was that further examination of the facts and law might enable the Inland Revenue to allow Members with provincial constituencies to continue to claim tax relief on the expenses of accommodation in London, upon becoming Ministers.

.... 2. Michael Havers has now sent me the attached opinion, which comes, as you will see, from all four Law Officers. As you will see, the Law Officers have, reluctantly, and after full consideration of the legislation and the authorities on it, been forced to the conclusion that, subject to one change - which, if implemented, might improve the position of some Ministers, the Revenue's existing practice is the only one possible under the law as it stands. The change is that

/Ministers,



Ministers, sitting for provincial constituencies, with homes outside but within commuting distance of London, who also have accommodation close to Westminster which is used solely for Parliamentary duties, should now be allowed relief where hitherto they have denied it. For this purpose the test would be whether in fact a Minister did generally travel daily between his home and Whitehall to perform his Ministerial duties when Parliamentary business did not require his presence in town. If such a Minister occasionally used his 'Parliamentary' accommodation when he was in London on other, e.g. Ministerial, business such dual-purpose use would be disregarded. It must be said that this limited relief hardly makes the rules seem less nonsensical. But it is a relief - and the Inland Revenue, who have been keeping in touch with the Law Officers' thinking are prepared, I understand, to act on this interpretation.

3. I have discussed the implications of the opinion with the other members of the Treasury team. Whilst welcoming the practical benefits for perhaps a small number of Ministers which might result from the Revenue acting on this interpretation, we recognise that the overall position, under the present law, will continue to be unsatisfactory. Apart from the practical problem of deciding whether a particular Minister's home is within the commuter belt or not, there is the point that some colleagues will be treated in a more favourable way than others and this may not be easy to defend. Nevertheless the only way in which the position could be improved generally would be through a specific change in the law. As I said before, a change confined to Ministers would not be politically acceptable, whilst a general relief to cover expenses incurred wherever more than one office or employment is held by the same person, would open up debate on what has always been an extremely difficult and contentious field of law, as well as being costly in both administrative and revenue terms and would, in any event, bring only limited assistance to Ministers.

/I have



4. I have therefore had reluctantly to conclude that, save for the change in the treatment of Ministers with homes within commuting distance of London, which, as I say, the Inland Revenue are prepared to accept, we must live with the existing practice.

(G.H.)

30 June 1981

CONQUEROR

JOINT OPINION OF THE LAW OFFICERS OF ENGLAND
AND WALES AND THE LAW OFFICERS OF SCOTLAND

MINISTERS IN THE HOUSE OF COMMONS

SCHEDULE "E" DEDUCTIONS

We have been asked whether the Revenue practice of refusing a deduction for tax purposes for the additional cost of living in London to Members for provincial constituencies when they become Ministers of the Crown is well founded in law. Before we discuss this practice we draw attention to the fact that it has been made public on a number of occasions and any change in that practice would also become public knowledge.

2. The basis on which ordinary Members are allowed a deduction for tax purposes in respect of expenditure on accommodation is as follows. Being a Member of Parliament involves the performance of duties at Westminster and in the constituency. If the constituency is outside London, it is impossible for the Member to perform all his duties from his home. In the case of ordinary employment, no tax allowance for accommodation is allowed because the taxpayer could live within walking distance of his employment - the fact that he does not is personal to him. The Member of Parliament with, in effect, two places of work cannot choose his home so as to be able to perform all his duties without

staying away from home, unless his constituency is in London; and accommodation within the ILEA area is accepted, and properly accepted, by the Revenue as "necessary" because a Member has to be available to vote at all hours of the night. If he lives in his constituency, he must have accommodation in London to attend the House; if he lives in London, he must have accommodation in the constituency to perform his duties there. Where the Member lives neither in London nor in his constituency, the Revenue accept that he will need accommodation in both those places, but the expense of one set of accommodation must be disallowed as it is the consequence of his personal choice not to live near either place of work. In such a case the Revenue allow the taxpayer to choose which expenses to claim and it is likely that he will claim the London expenses as being the greater.

3. We are satisfied that the Revenue are right in so treating the expenses of accommodation of ordinary Members. The relevant test is contained in section 189(1) of The Income and Corporation Taxes Act 1970 which provides that "if the holder of an office or employment is necessarily obliged ... to expend money wholly, exclusively and necessarily in the performance of" the duties of the office or employment, the expenses so necessarily incurred and defrayed may be deducted from the emoluments in calculating the tax

payable. We do not find it necessary to refer to the many cases on those words other than to make the general comment that they demonstrate that the courts have so far applied the test rigorously in a way which could never be described as generous to the taxpayer, in view of the requirement to satisfy the "wholly, exclusively and necessarily" formula.

4. Why is the tax position altered when a Member is appointed a Minister? At one stage it was thought that the Revenue's argument was that the appointment transformed the Parliamentary duties performed by the Member so that they became one further element of his Ministerial duties. Such an analysis of the case has no foundation in fact and we are satisfied that a Minister/Member continues to have Parliamentary duties as a Member. It is these Parliamentary duties which require him to have available accommodation within easy reach of Westminster because of the irregular hours and because it has become a regular part of the pattern of his duties that he is frequently required to vote into the late hours of the night or the early hours of the morning and, from time to time, all through the night. The Revenue's argument, as we now understand it, on the expenses of accommodation of the Member who becomes a Minister is that where the claim is in respect of accommodation in London that accommodation is now needed for two purposes. The Minister at the end of a day's work needs somewhere to stay

overnight and the Member after his duties in the House also needs somewhere to sleep. It follows, say the Revenue, that the expenditure is now incurred for two purposes and so cannot be said to be wholly and exclusively for one of those purposes and accordingly is no longer deductible. It is the validity of this argument which we have to consider.

5. We take first the case of a Member who has a home outside London but within commuting distance of Whitehall. Such a Member will need accommodation in London to perform his Parliamentary duties. A Minister in the House of Lords would be able to perform his Ministerial duties from a home within the commuter belt and the senior officials working for the Minister will include those who commute from similar distances. It follows that in the case we are considering the Member when he is appointed a Minister does not need accommodation in London in order to perform his Ministerial duties. He continues to need such accommodation to perform his Parliamentary duties. In our opinion expenditure on such accommodation is incurred wholly, exclusively and necessarily in the performance of his Parliamentary duties and the fact that he chooses to make use of the accommodation on days when he has performed Ministerial duties but has not needed to attend the House does not affect the tax position, for such use is purely incidental to the main purpose.

6. We consider next the case of a Member whose home is outside commuting distance from London. Such a Member will need accommodation in London whether he lives in his constituency or elsewhere. On his appointment as a Minister can he claim that his use of his London accommodation at the end of a Ministerial day is no more than incidental to his main purpose in providing the accommodation? Or, to put the question in different terms, is it possible to argue that the Member for a constituency outside London still requires to have two homes in order to perform his duties as a Member and that requirement cannot be affected by his subsequent appointment as a Minister? It is this problem that has caused us the greatest difficulty. One of us is quite clear that the answer is that the Minister/Member now needs the London accommodation for two purposes and so is not entitled to claim that expenditure on it is incurred wholly, exclusively and necessarily for the purpose of his Parliamentary duties. The rest of us believe that this argument is sufficiently strong to enable us to reach the view that it would be unwise for the Revenue to change the tax practice in this class of case.

7. Accordingly we advise that the Revenue practice should continue save in so far as it denies the allowance to a Minister/Member who could commute from his home to his

Ministry but has accommodation in central London which has
been provided for his Parliamentary duties.

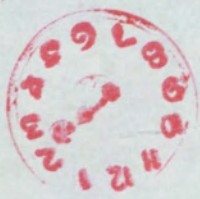
M.K.
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MJC

H.P.
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H.H.
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9 June 1981.



1 JUL 1981

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2 pps.



Chancellor of the Duchy of Lancaster

✓ Mr Vercher
Mr Duguid
Mr Wolpan

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

30 June 1981

Dear Margaret

Yes, Mr

Prime Minister [through TPL]
Mr Pym wants to offer the Select
Committee a paper on linkage
early next week. He has tried
to draft on a damage limitation
basis. The Chancellor may comment
over the week-end. Content
subject to his views?

LINKAGE OF MPs' PAY

You will recall that on 19 February the House of Commons approved a resolution to set up a Select Committee to consider the desirability and possible method of adjusting MPs' pay on the basis of an independent review once in the first Session of each Parliament and linkage to a designated group of outside occupations (commonly referred to as a "basket") in the period between independent reviews. The resolution was tabled in my name following consultations that my predecessor held in the House, notably with representatives of the 1922 Committee, which suggested that the Government risked a defeat if we opposed all forms of linkage.

MAJ
3/vii

The Select Committee has recently begun its work and I have been invited to give evidence to them on 8 July. I believe that it would be best if I put in a paper before seeing them. I attach a draft of the sort of thing I have in mind. Although we do not want to suggest that we are at all happy about the idea of linkage, I do not think that it would be appropriate at this stage to concentrate on the general arguments of principle. We made our position clear in the paper which Norman St John-Stevas circulated to all Members on 23 October and I fear that it did not attract a great deal of support. By tabling the resolution passed on 19 February we accepted that the debate had in effect moved a stage further. The need now is to guide the Select Committee towards the least harmful form of linkage, and that means above all confining the "basket" of outside occupations to public service grades over whose pay we have some control. The attached draft paper argues for a basket containing Civil Service grades only, on the grounds of simplicity: this is in line with a scheme put forward in the letter from Norman St John-Stevas's Private Secretary to yours on 17 October.

.../...

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

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I would be grateful for your comments, and those of other colleagues to whom this letter is copied, on the draft paper.

I am copying this letter to Willie Whitelaw, Geoffrey Howe, Christopher Soames, Jim Prior, Michael Jopling and Robert Armstrong.

Jim Prior

John H's

CONFIDENTIAL
FRANCIS PYM

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LINKAGE OF MPs' PAY

Note by the Chancellor of the Duchy of Lancaster and Paymaster General

1. On 19 February 1981 the House of Commons approved the following resolution:

"That a Select Committee be appointed to give further consideration to the desirability and possible method of conducting reviews of Members' salaries by an independent body once during the first Session of each Parliament and of adjusting such salaries during the periods between such reviews by reference to increases in the remuneration of a designated group of outside occupations, and to make recommendations to the House".

2. As I said in my speech when this resolution was debated, the Government remain sceptical about the appropriateness of linking Members' pay to that of any outside group for a variety of reasons, not least because it would detract from the responsibility of the House of settle Members' pay directly in the light of prevailing circumstances. However, the House was in favour of linkage and this note is confined to practical considerations.

3. Two broad questions arise from the resolution: what form should the independent reviews take and what method should be used to determine interim increases?

Independent Reviews

4. The Committee may consider that the Top Salaries Review Body would be the most appropriate body to carry out the periodic independent reviews. It has a wealth of experience in dealing with Members' pay and has over the last decade provided valuable advice, even if successive Governments have not always felt able to implement its recommendations in full because of prevailing economic circumstances. It is difficult to see how any other body would be better placed to give informed and independent advice.

5. The resolution states that the independent reviews should be conducted in the first Session of each Parliament. I know that some Members would prefer a review at the end of each Parliament so that the electorate would know what the salaries of Members of the new Parliament would be. However, as the Prime Minister can call an election at any time, it is not easy to predict the end of a Parliament. I support, therefore, the view expressed in the resolution.

Interim increases

6. It is in the period between independent reviews that the question of linkage arises. It is important to distinguish between linkage to particular rates of outside salaries and linkage with the level of increase in such salaries. The first form of linkage would be inappropriate. The right rate for Members' salary would be determined by the independent review and the purpose of the link would be only to make adjustments between reviews. A link with particular outside rates would also imply a close connection between the work of MPs and the work of the groups with the salary rates selected. There is no group whose work is comparable with that of MPs.

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7. The Committee will be aware of the objections to a link with a single comparator: the sensitivity attached to MPs' pay would almost certainly be transferred to the comparator. It was for this reason that the House supported the "basket" approach. However, there are also objections to having too large a basket. With a very wide selection of outside occupations in it, the basket would look very much a specially constructed salary index. It would not be right to give MPs anything resembling an index link, as this is an advantage enjoyed by very few other groups. By the same token, it seems quite wrong to include occupations in the private sector or in the public trading sector (eg nationalised industries) in the basket. The organisations in these sectors are highly dependent on market conditions and changes in salaries will reflect factors which have no bearing on MPs' pay. With this in mind, therefore, it is for consideration whether the basket should include only grades from the public services (eg the Civil Service, the NHS and the local authorities). In this event, given the variation in settlement dates and pay systems within the public services, and also that with a wide variety of groups the risk of delay in getting the necessary information on increases together, it would be administratively much simpler to use a basket containing a number of grades from only one of the public service groups. For example, the Civil Service would seem to be as appropriate as any and the basket might in that case consist of all grades between Higher Executive Officer and Assistant Secretary, together with their equivalents in the Science and Professional and Technology Groups. An annex discussing some of the more technical points associated with linkage is attached.

8. It is possible that between independent reviews increases derived from linkage would take MPs' pay above the level that the body conducting the next review considered appropriate. In such a case I think it would be right for MPs' salary to drop to the level recommended in the independent review. I suggest that 13 June should remain the normal settlement date for MPs' pay.

LINKAGE: SOME TECHNICAL POINTS

Definition of salary increase: If MPs are to receive a salary based on the increases for selected outside groups, it is necessary to be clear what constitutes a "salary increase". The simplest and most easily defensible approach is to consider increases in basic salary only, excluding all allowances, overtime, bonuses, perquisites etc. If the salary is an incremental scale or a range, only the increase in the maximum should be considered. Some further refinement of the definition may be necessary when the precise composition of the basket has been determined.

Averaging increases: The various comparators will be groups of different sizes and will have different settlement dates. It would be possible to construct an average increase by weighting each comparator by the number of people in the group or some other criterion, and to make an allowance for date of settlement. However, the easiest approach would be to take a simple average giving each comparator equal weight and ignoring the settlement date (providing that it was after the last settlement for MPs).

Staging: If one or more of the comparators had a staged settlement, this ought to be reflected in the settlement for MPs.

Restructuring: If one of the comparators were restructured so that it was impossible to establish what increase in basic pay had occurred at a particular settlement date, there seems little alternative but to exclude it from the basket for that year.

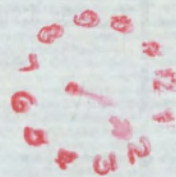
Delays: If one of the comparators had a delay in its settlement so that there was no prospect of an increase emerging until well after the normal settlement date for MPs, either the increase for MPs would have to be delayed or they could have an increase based on the management offer for the outstanding comparator with subsequent adjustments being made if necessary.

.../...

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Administration of linkage: Calculating the increases due to MPs as a result of linkage could be a complex matter. The Office of Manpower Economics, which provides the secretariat for the TSRB, would probably be the best organisation to undertake it. The more varied the groups in the basket, the more difficult the task of collecting and processing the information about their pay increases would be.

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- 11 JUL 1991

COMMUNICATIONS

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With the Compliments
of the Parliamentary Counsel

Sir Henry Rowe

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Past
Members

LR

DR

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18 May 1981

Sir Robert Armstrong KCB CVO
Cabinet Office
70 Whitehall
SW1A 2AS

Dear Robert

Thank you for telling me of the Prime Minister's wishes.
They will be reflected in this year's Order in Council.
Needless to say, they would have been reflected also in last
year's had I known of them. May I please assume that I am
now at liberty to tell Alan Williams? I want to show him a
revised draft as soon as possible and then have it printed.

I am sending copies of this letter to Ian Bancroft, Wilfrid
Bourne and Clive Whitmore.

Yours ever

H P ROWE

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Ref. A04894

PRIME MINISTER

Cabinet: Parliamentary Allowances

Members of the Cabinet have been warned that this will come up under Parliamentary Affairs. The Chancellor of the Duchy's proposals were contained in his letter of 12th May to you.

2. The Review Body has proposed new rates as follows:

	Present rate	Proposed rate	% increase
	£	£	
MPs' secretarial and research allowance	<u>8,000</u>	<u>8,600</u>	<u>7.5</u>
Secretarial allowance for Lords Ministers	1,175	1,275	8.5
Peers' expense allowances:			
Overnight subsistence	23.00	25.50	10.9
Day subsistence and travel incidental expenses	11.00	12.50	13.6
Incidental expenses	10.00	11.00	10.0
Total	44.00	49.00	11.4

3. The votes from which these allowances are paid are not cash limited.

4. The Government's readiness to endorse 7½ per cent for secretaries and research assistants may be contrasted unfavourably with its insistence on 7 per cent for the Civil Service and 6 per cent for NHS doctors and dentists. On the other hand there is no cash limit on the Parliamentary votes, as there is on the Civil Service and NHS votes; and Members of Parliament would not feel comfortable denying the recommended 7½ per cent for secretaries at a time when it is proposed that they should vote themselves an increase of 18.7 per cent on the present salary (6 per cent on the third stage increase approved last year).

5. The figures for the peers' expense allowances are of course maximum "per diem" figures: peers have to certify the expenses they claim as having been incurred for the purposes of attendance at sittings of the House or of Committees.

HANDLING

6. The Chancellor of the Duchy of Lancaster might be asked to open the discussion. He will argue that to reduce the increases to 6 per cent would produce "maximum irritation for minimum gain". You may like to ask the Chief Whip to advise on the probable views of the Government's backbenchers: could the Government carry a resolution for rates lower than those recommended? The Lord President could be asked to speak on peers' expense allowances.

CONCLUSIONS

7. This would appear to be a straight choice between accepting the Review Body's recommendations, as proposed by the Chancellor of the Duchy, or reducing some or all of the increases to 6 per cent. That would give the following figures:

	£
MPs' secretarial and research allowance	8,480
Peers' secretarial allowance	1,166 1,250
Peers' expense allowances:	
Overnight subsistence	24.40
Day subsistence and travel	11.65
Incidental expenses	10.60
Total	46.65

RA

ROBERT ARMSTRONG

14th May, 1981



Chancellor of the Duchy of Lancaster

 PRIVY COUNCIL OFFICE
 WHITEHALL, LONDON SW1A 2AT

12th May 1981

Dear Prime Minister,

PAY OF MPs AND MINISTERS

The 17th Report on the Top Salaries Review Body was delivered to you on Friday 8 May. I am circulating copies of it with this letter for the information of colleagues.

As expected the report makes no new recommendations on the salaries of MPs and Ministers but urges the Government to implement TSRB's 1980 recommendations in full as soon as possible. We have already decided that we will propose to the House that MPs and Ministers should get a 6 per cent increase in addition to their third stage increase due to come into effect on 13 June 1981. This will in fact give Members and all Ministers except Cabinet Ministers slightly higher salaries than those recommended by the TSRB in 1980.

We have also agreed that we will implement the new rates for parliamentary allowances recommended in TSRB 17. The allowances in question are:

- i. MPs' secretarial and research assistance allowance, currently £8,000 a year with a supplement of £800 a year for the provision of a pension for the secretary or research assistant. TSRB recommend an increase of 7.5 per cent in this allowance to £8,600. Although they do not mention the pension supplement, I am sure that we ought to increase it by a similar percentage to £860.
- ii. The Peers' expenses allowance, currently £44 a day in total. TSRB recommend that it should be increased to £49, an 11 per cent increase.

Contd

1
 Parly
 Memos

Prime Minister

Cabinet have already
 taken decisions on most
 of this. There are just two
 minor points outstanding
 (see x below). Content
but they be accepted?

JL
 12/5

- iii. The secretarial allowance for Lords Ministers; currently £1175 a year. TSRB recommend that it is increased to £1275 (8.5 per cent).

x The TSRB also recommend that the MPs' secretarial allowance should be improved in two ways. Firstly by making available supplementary provision to an MP who continues to pay his secretary for a period of absence due to sickness lasting more than 4 weeks, and needs to secure temporary secretarial help. Secondly by permitting secretaries to be paid during dissolution of Parliament. These two improvements will cost very little and I propose that we accept them. I think the House will expect us to do so. If we did not, it would be advisable to make the point clear in your statement on the Review Bodies which at the moment says only that "The Government proposes that the new rates of Parliamentary allowances should be implemented as proposed by the Review Body."

I am copying this letter to other members of the Cabinet and to Sir Robert Armstrong.

James Lee
Francis

FRANCIS PYM

The Rt Hon Margaret Thatcher MP
The Prime Minister
10 Downing Street
LONDON SW1

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REVIEW BODY ON TOP SALARIES

REPORT NO 17

MINISTERS OF THE CROWN AND MEMBERS
OF PARLIAMENT AND THE PEERS' EXPENSES
ALLOWANCE

Chairman:

THE RT. HON. LORD PLOWDEN, KCB, KBE

Presented to Parliament by the Prime Minister
by Command of Her Majesty

1981

✕ LONDON

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REVIEW BODY ON TOP SALARIES

On 8 August 1980 the Review Body on Top Salaries was invited by the Prime Minister to undertake for 1981 a review of the salaries of Members of Parliament and of Ministers and other paid office holders. The Review Body was also invited to review the allowance available to MPs for secretarial and research assistance, the Peers' expenses allowance, and the allowance for secretarial expenses of Ministers and other paid office holders in the House of Lords.

The members of the Review Body are:

Lord Plowden, KCB, KBE, Chairman
Sir Harold Atcherley¹
The Rt Hon Lord Boyle of Handsworth
Sir George Coldstream, KCB, KCVO, QC
Lord Hirshfield
Andrew Leggatt, QC²
Baroness Seear

The Secretariat is provided by the Office of Manpower Economics.

¹Also Chairman of the Review Body on Armed Forces Pay.

²Mr Leggatt was unable to take part in this review.

MINISTERS OF THE CROWN AND MEMBERS OF PARLIAMENT AND THE PEERS' EXPENSES ALLOWANCE

Introduction

1. Our last full review of the remuneration of Members of Parliament and Ministers and other paid office holders was in 1979 (Reports Nos 12 and 13). Report No 12¹ contained our recommendations on salaries and our views on the question of a salary link for MPs. The report also included our recommendations on the Peers' expenses allowance and an interim recommendation on the MPs' secretarial allowance. In Report No 13² we completed our review of the secretarial allowance and dealt with a number of other questions affecting Parliamentary allowances, pensions and facilities.

2. Most of our recommendations were accepted by the Government. The salaries recommended in Report No 12 were accepted as appropriate at 13 June 1979, but the Government decided that they should be introduced in three stages: one half of the increase was to be paid with effect from 13 June 1979; one quarter from 13 June 1980; and the remaining quarter from 13 June 1981.

3. Later in 1979 we were asked to bring up to date the 'second stage' increases due to be paid on 13 June 1980 as part of the process of implementation of the salaries recommended in Report No 12. Accordingly, in Report No 15³ we recommended the salaries which we considered appropriate, on a fully up-to-date basis, at 13 June 1980, together with revised 'second stage' salaries to be paid at that date. We also recommended increases in the maxima of the secretarial and research allowance for MPs, the Peers' expenses allowance and the secretarial allowance for Ministers and other paid office holders in the House of Lords.

4. The Government on this occasion took the view that there were "clear and compelling reasons, of a kind that the Review Body could not take into account, for

¹Review Body on Top Salaries, Report No 12: Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part I - Cmnd 7598.

²Review Body on Top Salaries, Report No 13: Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part II - Cmnd 7825.

³Review Body on Top Salaries, Report No 15: Ministers of the Crown and Members of Parliament and the Peers' expenses allowance - Cmnd 7953.

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not accepting the Review Body's recommendations in full"¹. They proposed that substantially smaller percentage increases than those which we recommended should be applied to the second stage salaries to take effect from 13 June 1980; and that the percentage increase applied to the second stage should also be applied to the third stage due in 1981. The Government also proposed that the increase in the maximum of the MPs' allowance for secretarial and research assistance should be similarly reduced. In a debate on 21 July 1980² the House of Commons accepted the Government's proposals for the salaries to be implemented on 13 June 1980 and 13 June 1981, but passed the following resolutions:

- (i) that from 13 June 1980 the salary of MPs should be regarded for pension purposes as £13,750 (the fully up-to-date salary recommended in Report No 15);
- (ii) that "in the light of the continued difficulty in providing fairly for the salaries of Members of this House, the salaries of Members should be regulated to correspond with the amounts of the salary paid to a specified grade in the public service";
- (iii) that MPs' pensions should accrue at the rate of 1/40th for each year of service;
- (iv) that the secretarial and research allowance should be at the level recommended in Report No 15.

5. The Government accepted that the maximum of the MPs' secretarial and research allowance should be at the level which we had recommended. The remaining questions were, however, the subject of a further debate on 19 February 1981³, along with some proposals for changes in the House of Commons Members' Fund and the Parliamentary pensions arrangements. The House decided that pensions should be calculated on a notional salary of £13,150, the salary which it had agreed in the previous debate should be implemented on 13 June 1981. The House also accepted a Government proposal that a Select Committee should be appointed to examine "the desirability and possible

¹Statement to the House of Commons by the Prime Minister, Hansard, 7 July 1980, Col 30.

²Hansard, 21 July 1980, Cols 161-203.

³Hansard, 19 February 1981, Cols 491-552.

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method of conducting reviews of Members' salaries by an independent body once during the first session of each Parliament and of adjusting such salaries during the periods between such reviews by reference to increases in the remuneration of a designated group of outside occupations".

6. With regard to the Parliamentary pensions scheme, the House decided that pensions should continue to accrue on the basis of 1/60th of relevant terminal salary for each year of reckonable service. Some improvements in the arrangements for transfer into the Parliamentary scheme of pension rights earned in outside employment, and for purchasing additional reckonable service, were also agreed. Both changes are consistent with our past recommendations and we welcome them.

7. The change in the Members' Fund which was agreed on 19 February 1981 also results from our recommendations. There has been much concern extending over many years about the position of former MPs who had no service on or after 16 October 1964 and were thus ineligible to benefit under the pensions scheme. We recommended in Report No 13 (paragraph 50) that such former MPs should be entitled, along with widows and other dependents, to a measure of benefits as of right under the Members' Fund. We further recommended that if this were judged too expensive, a grant should, as a minimum, be made available as of right to all such former MPs or their dependents who were aged 75 or over at the date upon which a change was made. The Government proposed, and the House agreed, that grants from the Fund should be payable as of right to Members with at least 10 years' service, even if that service was interrupted, who left the House before 16 October 1964, and to their widows and dependent widowers. The Government considered that the cost would be too great if the qualifying condition of 10 years' service were relaxed. These arrangements will provide, however, for the Trustees to relax the 10 years' service rule in exceptional cases if the Government Actuary advises that adequate scope exists in the Fund. The grants will be £1,000 for former MPs and £500 for widows. We particularly welcome the introduction of these arrangements. We suggest that the House should keep a close watch on the adequacy of the grants.

The current review - salaries

8. The review which we have been asked to carry out this year is set against a background of considerable uncertainty over the future method of determining MPs' pay, which is now to be the subject of inquiry by a Select Committee. In these circumstances it did not seem appropriate for us to attempt a full review such as that which we carried out in 1979. A more limited course would be simply

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to bring our previous recommendations up to date at 13 June 1981. We are, however, faced with the fact that, even when the final instalment of the increases agreed in 1980 is paid in June 1981, our Report No 15 recommendations will still not have been implemented in full. To do so would produce an overall increase in salary cost of about 5 per cent over and above the increase of 12 per cent which is already due to be paid with effect from 13 June 1981.

9. We made it clear in Report No 15 (paragraph 6) that the increases which we then recommended were substantially below the increase in both the retail price index and relevant salaries elsewhere. We have no doubt from evidence on current salary levels that a case could be made for further increases in the pay of MPs and Ministers; but while the amounts set out in Report No 15 remain to be fully implemented, and having regard to current economic circumstances, we see no point in putting forward new figures which would add to the existing shortfall. We strongly recommend, however, that the salaries recommended in Report No 15 should be implemented in full and as soon as possible. These are set out below, alongside the salaries which it has so far been agreed should be implemented on 13 June 1981. The salaries implemented on 13 June 1980 are set out in Appendix A. Whether we shall have a continuing role to play as an independent body in advising on the pay of MPs and Ministers is not for us to determine; but in the event of our being asked to carry out a review next year it would be our intention to recommend fully up-to-date figures as at 13 June 1982.

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SALARIES RECOMMENDED IN REPORT NO 15 AS APPROPRIATE AT 13 JUNE 1980
AND THOSE WHICH IT HAS SO FAR BEEN AGREED SHOULD BE
IMPLEMENTED ON 13 JUNE 1981

A. Members of Parliament

Salary recommended in Report No 15 as appropriate at 13 June 1980: £13,750
Salary so far agreed for implementation on 13 June 1981: £13,150

B. Ministers and other paid office holders

Office	Salary recommended in Report No 15 as appropriate at 13 June 1980		Salary so far agreed for implementation on 13 June 1981	
	Excluding Parliamentary salary	Including Parliamentary salary (a)	Excluding Parliamentary salary	Including Parliamentary salary (b)
	£	£	£	£
Prime Minister	38,000	46,000	* (34,650) ^(c)	(42,320) ^(c)
Lord Chancellor	43,000 ^(d)	43,000 ^(d)	* (40,000) ^(e)	(40,000) ^(e)
Mr Speaker	28,500	36,500	27,500	35,170
Cabinet Minister	28,500	36,500	26,250	33,920
Minister in charge of a Department but outside the Cabinet (f)	23,000	31,000	21,900	29,570
Minister of State	19,500	27,500	18,650	26,320
Parliamentary Secretary and Under Secretary of State	15,000	23,000	14,250	21,920
Attorney General	30,500	38,500	27,850	35,520
Solicitor General	24,000	32,000	23,000	30,670
Lord Advocate	24,000	32,000 ^(g)	23,000	30,670 ^(g)
Solicitor General for Scotland	20,500	28,500	19,750	27,420
<u>House of Commons</u>				
Leader of the Opposition	25,000	33,000	24,100	31,770
Parliamentary Secretary to the Treasury (Chief Whip)	23,000	31,000	21,900	29,570
Deputy Chief Whip	19,500	27,500	18,650	26,320
Chief Opposition Whip	19,500	27,500	18,650	26,320
Government Whip	12,500	20,500	12,050	19,720
Assistant Opposition Whip	12,500	20,500	12,050	19,720
Chairman, Ways and Means	19,500	27,500	18,650	26,320
Deputy Chairman, Ways and Means	17,000	25,000	16,450	24,120

Continued....

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Office	Salary recommended in Report No 15 as appropriate at 13 June 1980		Salary so far agreed for implementation on 13 June 1981	
	Excluding Parliamentary salary	Including Parliamentary salary (a)	Excluding Parliamentary salary	Including Parliamentary salary (b)
	£	£	£	£
<u>House of Lords</u>				
Chief Whip	19,500	19,500	18,650	18,650
Deputy Chief Whip	15,000	15,000	14,250	14,250
Government Whip	12,500	12,500	12,050	12,050
Chief Opposition Whip	12,500	12,500	12,050	12,050
Chairman of Committees	19,500	19,500	18,650	18,650
Principal Deputy Chairman of Committees	17,000	17,000	16,450	16,450
Leader of the Opposition in the House of Lords	15,000	15,000	14,250	14,250

- Notes:
- (a) Including for those Ministers and other office holders who are Members of the House of Commons, the recommended Parliamentary salary of £8,000 for Report No 15.
 - (b) Including for those Ministers and other office holders who are Members of the House of Commons a Parliamentary salary of £7,670, so far agreed for implementation on 13 June 1981.
 - (c) The salary shown is notional. The Prime Minister decided to forego an increase in Ministerial salary in 1979 and to be paid the same salary as Cabinet colleagues in 1980. The salary at present to be paid on 13 June 1981 is £26,250 excluding Parliamentary salary (£33,920 including Parliamentary salary).
 - (d) Includes £5,750 in recognition of the Lord Chancellor's function as Speaker of the House of Lords.
 - (e) The salary shown is notional and includes £5,500 in recognition of the Lord Chancellor's function as Speaker of the House of Lords. The Lord Chancellor decided to forego an increase in Ministerial salary in 1979 and to be paid the same salary as Cabinet colleagues in 1980. The salary at present to be paid on 13 June 1981 is £26,250.
 - (f) There are no Ministers in charge of a Department but outside the Cabinet at present.
 - (g) The present Lord Advocate is not a Member of Parliament and therefore does not receive a Parliamentary salary.

Allowances

10. We have also been asked to review the allowance available to MPs for secretarial and research assistance, the Peers' expenses allowance and the allowance for secretarial expenses available to Ministers and other paid office holders in the House of Lords. The recommendations we made in Report No 15 in respect of these allowances, which are for reimbursement of expenses actually incurred, were implemented in full. In the following paragraphs we make recommendations to bring them up to date as at 13 June 1981. Our recommendations are framed in the light of movements in the last year in prices and earnings.

Secretarial allowance and research allowance

11. In Report No 12 we recommended separate maximum allowances to enable an MP to employ both a full-time secretary and a part-time research assistant. Parliament decided that the allowances should be combined to provide a single maximum, currently £8,000, available for both secretarial and research expenses and general office expenses. It was also decided that a further amount, with a current maximum of £800, should be made available to MPs for payments into an approved scheme to provide pensions for secretaries and research assistants. We consider that the maximum allowance of £8,000 is no longer sufficient to cover the cost of employing a full-time secretary and a part-time research assistant and recommend that the maximum of the allowance should be increased to £8,600.

12. We have been requested to examine a number of points concerning the scope and application of the allowance. Our views on these are set out in the following paragraphs.

Payment for temporary assistance when a Member's secretary or research assistant is unable to work because of illness

13. When a Member's secretary or research assistant is ill, it may become necessary to engage temporary assistance; but there is no specific provision to pay for this. Any unused part of the secretarial and research allowance may of course be applied for this purpose. The allowance, however, is set at a level which is intended to be no more than sufficient, after allowing for payment of employer's national insurance contributions, to provide for the employment of a full-time secretary and a part-time research assistant. We think it right, moreover, that Members should

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be in a position to follow normal 'good employer' practice for paying staff during periods of illness. In the circumstances we recommend that supplementary provision, pro rata to the secretarial and research allowance, should if necessary be made available where an MP continues to pay his secretary or research assistant for a period of absence of, say, more than four weeks, and needs to secure temporary help. We suggest that the precise arrangements should be settled by the House, bearing in mind that it may be desirable to specify somewhat different rules for research assistants as compared with secretaries since in relatively short periods of absence the need to replace the former may be less pressing.

Payment of secretaries and research assistants during the dissolution of Parliament

14. The secretarial allowance at present ceases to be payable while Parliament is dissolved. In Report No 13¹ we pointed to a number of reasons supporting the case for withholding the allowance during periods of dissolution. It has been put to us, however, that considerable anomalies and inconvenience arise from the present position: a secretary may, for example, have to be discharged at the time Parliament is dissolved only to be re-engaged a few weeks later. Having given this matter further consideration, we have concluded that in future the allowance should continue to be available during dissolution. We recommend accordingly. The 'winding up' allowance which is paid to Members defeated at an election to defray secretarial or research expenses is a separate matter and should continue to be paid where applicable.

Office equipment

15. In Report No 13² we concluded that it would be wrong to introduce an allowance for the purchase and maintenance of office equipment, since this would involve the use of public funds for the acquisition of equipment that would remain the property of the MP. That remains our view. However, we recognise that the costs of purchasing such equipment can be a considerable burden, and have considered whether there might be an alternative approach. It seems to us that there is a strong case for the House to supply and maintain for the use of Members and their secretaries such standard items as typewriters, dictation equipment and calculators; under such an arrangement the equipment would remain the property of the House. We suggest that the House

¹ Review Body on Top Salaries, Report No 13: Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part II - Cmnd 7825 (paragraphs 27-28).

² *ibid* (paragraphs 63-66).

should explore the feasibility of this proposal with a view to devising detailed arrangements.

16. This and a number of other problems mentioned in this report would be greatly eased by the introduction of central employment of secretaries which we recommended in Report No 13¹.

Travel expenses of MPs' secretaries and research assistants

17. We have also been asked to consider provision for travel costs of secretaries and research assistants arising from constituency business. Such costs can be set against the allowance for secretarial and research assistance but, as we have mentioned, the allowance is intended to cover the basic costs of employing a full-time secretary and a part-time research assistant. There may well be no margin for travel expenses, particularly when the constituency is far from London. It has been suggested that some of the 15 free return journeys a year available to MPs' wives or husbands for travel to and from the constituency might be transferred, if the MP wishes, to a secretary or research assistant. We consider that these are two completely separate issues. It would not be appropriate to cut into the provision for MPs' wives and husbands, which is intended to help to ease the strain that a Parliamentary career can impose on family life. On the other hand we are not satisfied of the case for making specific provision for payment of travel expenses of secretaries and research assistants, which in practice could well give rise to considerable difficulties. The matter needs more detailed consideration and we propose to examine it further in any future review we may conduct.

Provision of pensions for MPs' secretaries and research assistants

18. In Report No 13² we examined the possibility of revising the maximum of the secretarial allowance to take account of the cost to MPs of contributing to an occupational pension scheme for a secretary. We concluded, however, that the additional cost would be likely to vary and we saw no ready yardstick by which to assess the extent to which the costs would be reasonable. In the circumstances we did not consider it appropriate to reflect this factor specifically in the maximum that we recommended. The House of Commons resolved, however, that an additional amount should be made available to enable MPs to contribute towards pensions for their secretaries and research assistants. At present the amount available may not

¹ ibid (paragraphs 29-33).

² ibid (paragraphs 25-26).

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exceed 10 per cent of the salary in payment to the secretary or research assistant, subject to an overall limit of £800. We understand there has been some concern about the interpretation which has in practice been placed upon the resolution. That is not a question for us, but we have been asked to consider whether in any case the limit of 10 per cent of salary is reasonable. Since the point has been raised with us at a late stage, it has not been possible in the time available for completion of the present review to take evidence or to consider the matter in sufficient detail to justify proposing any immediate change in the existing arrangements. In the event of our being required to carry out a further review of Parliamentary pay and allowances next year, it will be our intention to look into this question specifically and to report our findings.

Peers' expenses allowance

19. The Peers' expenses allowance covers three categories of expenditure, each with an individual daily maximum. The categories and the current maxima are: overnight subsistence, £23.00; day subsistence and incidental travel, £11.00; secretarial costs, postage and certain additional expenses, £10.00. We recommend that the individual daily maximum for each group should now be:

- (i) overnight subsistence - £25.50;
- (ii) day subsistence and incidental travel - £12.50;
- (iii) secretarial costs, postage and certain additional expenses - £11.00.

20. We wish to emphasise that the Peers' expenses allowance is not, as is sometimes suggested, an attendance allowance. The 1957 resolution that introduced the allowance indicated that the object was to enable Peers (other than paid office holders) to recover "any expenses certified by them as incurred for the purpose of attendance at sittings of that House or of Committees, other than sittings for judicial business ..."¹.

Ministers and other paid office holders in the House of Lords - allowance for secretarial expenses

21. Ministers and other paid office holders in the House of Lords can claim up to

¹ Hansard, 9 July 1957, col 227.

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£1,175 a year for secretarial expenses unconnected with departmental correspondence, subject to production of evidence of expenditure. We recommend that the maximum of the allowance should be increased to £1,275.

LOWDEN
HAROLD ATCHERLEY
BOYLE OF HANDSWORTH
GEORGE COLDSTREAM
HIRSHFIELD
SEEAR

OFFICE OF MANPOWER ECONOMICS

8 May 1981

CONFIDENTIAL

CURRENT PARLIAMENTARY SALARIES

A. Members of Parliament

Current salary: £11,750

B. Ministers and other paid office holders

Office	Current salaries	
	Excluding Parliamentary salary	Including Parliamentary salary (a)
	£	£
Prime Minister	(31,750) ^(b)	(38,680) ^(b)
Lord Chancellor	(35,200) ^(c)	(35,200) ^{(c)(d)}
Mr Speaker	24,500	31,430
Cabinet Minister	23,500	30,430
Minister in charge of a Department but outside the Cabinet (e)	19,300	26,230
Minister of State (Commons)	16,250 ^(f)	23,180 ^(f)
Minister of State (Lords)	16,400	16,400 ^(d)
Parliamentary Secretary and Under Secretary of State (Commons)	12,350	19,280
Parliamentary Secretary and Under Secretary of State (Lords)	12,500	12,500 ^(d)
Attorney General	25,050	31,980
Solicitor General	20,600	27,530
Lord Advocate	20,600	27,530 ^(g)
Solicitor General for Scotland	17,150	24,080
<u>House of Commons</u>		
Leader of the Opposition	20,950	27,880
Parliamentary Secretary to the Treasury (Chief Whip)	19,300	26,230
Deputy Chief Whip	15,500	22,430
Chief Opposition Whip	16,250	23,180
Government Whip	10,250	17,180

Continued

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Office	Current salaries	
	Excluding Parliamentary salary	Including Parliamentary salary (a)
	£	£
Assistant Opposition Whip	10,250	17,180
Chairman, Ways and Means	16,000	22,930
Deputy Chairman, Ways and Means	14,000	20,930
<u>House of Lords</u> (f)		
Chief Whip	16,100	16,100
Deputy Chief Whip	12,350	12,350
Government Whip	10,550	10,550
Chief Opposition Whip	9,950	9,950
Chairman of Committees	16,150	16,150
Principal Deputy Chairman of Committees	14,150	14,150
Leader of the Opposition in the House of Lords	11,900	11,900

- Notes: (a) The Parliamentary salary is currently £6,930.
- (b) The salary shown is notional. The Prime Minister decided to forego an increase in Ministerial salary in 1979 and to be paid the same salary as Cabinet colleagues in 1980. The salary in payment currently is £23,500 (£30,430 including Parliamentary salary).
- (c) The salary shown is notional and includes £5,075 in recognition of the Lord Chancellor's function as Speaker of the House of Lords. The Lord Chancellor decided to forego an increase in Ministerial salary in 1979 and to be paid the same salary as Cabinet colleagues in 1980. The salary in payment currently £23,500.
- (d) No Parliamentary salary paid.
- (e) There are no Ministers in charge of a Department but outside the Cabinet at present.
- (f) For those paid at the maximum of the Minister of State range, current salary is £16,850 (£23,780 including Parliamentary salary).
- (g) The present Lord Advocate is not a Member of Parliament and does not therefore receive a Parliamentary salary.

SECRET

PRIME MINISTER

Pay of MPs, Ministers and Junior Ministers
in the House of Lords
(C(81) 21)

BACKGROUND

The background to this issue is summarised in my note, C(81) 21.

Clay A
DojB —
2. On 9th April the Cabinet approved the proposals in paragraph 13 of C(81) 13 for dealing with the pay of Junior Ministers in the Lords (C(81) 15th Conclusions, Minute 5). Of the five options in C(81) 13 for the pay of MPs and Ministers they narrowed the choice to:-


Option B. The figure of £13,150, fixed last year to take effect on 13th June 1981, to stand unchanged (giving an increase of 11.9 per cent on this year's salary).

Option D. The figure of £13,150 fixed last year to be increased by 6 per cent to £13,950 (an increase of 18.7 per cent on this year's salary).

3. In the Cabinet's discussion on 30th April (CC(81) 17th Conclusions, Minute 5) the Chancellor of the Duchy of Lancaster strongly recommended that Option D, which he and the Lord President had proposed when putting forward C(81) 13, should now be approved. He was supported in this by the Chief Whip. The Chancellor of the Exchequer, however, wished to leave open for further discussion this week the possibility of confining the increase to Option B.

4. The main arguments for Option D are:-

- (i) MPs would regard Option B as tantamount to a breach of the undertaking that the third stage would be reviewed and updated. On 21st July 1980 the then Chancellor of the Duchy of Lancaster undertook to Parliament that the TSRB would be asked to review the third stage increase due in 1981, and said that the Government would implement the results of the third stage review "unless there are clear and compelling reasons not to do so."


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- (ii) Setting aside the staged element, the 'new money' of 6 per cent is in line with that being offered elsewhere in the public services, and less than the 7 per cent for civil servants.
- (iii) To seek to deny it would provoke a long-running argument in Parliament now, to run serious risk of a Government defeat, and to build up problems for next year.

I have annexed to C(81) 21 an extract from the draft of an announcement by you on the Review Body Reports as an indication of what might be said if the Cabinet decide in favour of Option D and to announce that decision and those on Junior Ministers in the Lords together with the decisions on the other Review Body Reports. I shall be submitting to you separately a draft of the full statement, when I have all the Departmental comments on it.

5. The arguments affecting the choice between Options B and D are:-

- (i) Whatever the merits of the case for D, it would be represented by critical commentators as 18.7 per cent for MPs and a similar amount for Ministers when the going rate generally in the private and public sectors is in single figures. Option B is more 'respectable' in public relations terms.
- (ii) More specifically, and however unfairly, Option D, if announced soon, could make it much more difficult to settle the Civil Service dispute with 7 per cent in 1981.
- (iii) Option D could be represented as going beyond (for MPs and some Ministers) the expected recommendations in the new TSRB report which will be on the lines of urging the Government to implement the full recommendations made last year (£13,750 for MPs) as soon as possible. Unfavourable comment may also be made at the difference in treatment between what MPs and Ministers propose for themselves (roughly full implementation or better of last year's TSRB recommendations) and that which they intend for Judges, Generals etc., who will still,

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following last weeks decision, be significantly short of last year's TSRB recommendations. Only Option B would avoid this.

You will recall that the Secretary of State for Trade suggested that some of these problems would be eased if the announcement of the Government's decision on MPs and Ministers were deferred until after the other announcements. The general view seemed to be, however, that it was preferable to deal with all the announcements in one clean sweep, so avoiding the risks of leaks and the possibility of charges that the Government had deliberately held back revealing advantageous increases for themselves and for MPs.

6. You will note (from the last paragraph of the draft statement) that the House has to approve a Resolution and an Order in Council implementing the increases proposed in the remuneration of MPs and of Ministers with effect from 13th June, 1981. In the case of Ministers the law does not allow of retrospection; that is a further argument in favour of taking and implementing the decisions now.

HANDLING

7. You might open the discussion by inviting the Chancellor of the Duchy of Lancaster to re-state the case for Option D. The Lord President of the Council and the Chief Whip will wish to say whether they confirm their support. You might then ask the Chancellor of the Exchequer whether he wishes to press the case for limiting the increase to Option B and to establish whether any other Ministers support this view.

8. When the Cabinet has decided which option it approves, you will then need to decide whether that decision should be announced in the context of your statement on the three Review Body Reports or later. It should not be necessary to discuss in detail the draft which I have annexed to C(81) 21, which is subject to amendment.

CONCLUSIONS

9. In the light of the discussion you will wish to record:-

- (i) On whether the pay of MPs and Ministers should be increased to £13,150 (Option B) or to £13,950 (Option D) with effect from 13th June 1981.

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- (ii) On whether that decision should be announced next week as part of your statement on the Government's response to the three Review Body Reports, or later.
- (iii) If Option B were approved, to instruct me to prepare a revised draft of the statement in which the decision would be announced.

RA

Robert Armstrong

6th May 1981

SECRET

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Ref. A04681

PRIME MINISTER

*Parliament: -
Remuneration of junior Ministers
in the House of Lords : July 80.*

The Pay of MPs, Ministers and Junior Ministers in the House of Lords

(C(81) 13)

This memorandum by the Lord President of the Council and the Chancellor of the Duchy of Lancaster falls into two distinct parts: first, the salaries to be paid from July to MPs and Ministers and, second, the special problem of the pay of junior Ministers in the House of Lords. I suggest that you should divide the discussion accordingly and the following brief is on that basis.

The Pay of MPs and Ministers

2. Paragraphs 2-4 of C(81) 13 summarise the increases in MPs' pay since the Top Salaries Review Body's report of 1979 and the commitments given to further increases and reviews. The Chairman of the TSRB has asked whether you would wish the Board to proceed with the review, which you formally invited them to undertake on 8th August 1980, of MPs' and Ministers' pay for 1981. In their paragraph 6, the Lord President and the Chancellor of the Duchy of Lancaster recommend in favour of an approach similar to that adopted for the other groups within the TSRB's remit: a review not recommending new salary rates this year, but urging full and early implementation of last year's recommendations. The TSRB would, however, advise on the updating of Parliamentary allowances.

3. If it is agreed that the Review Body should be encouraged not to recommend new rates of pay this year, the Cabinet will wish to form a view on the five options listed in paragraph 8 of C(81) 13. The Lord President and the Chancellor of the Duchy of Lancaster recommend option D - that is, to increase the figure of £13,150 fixed last year for July 1981 by 6 per cent to £13,950, giving a total increase of about $18\frac{3}{4}$ per cent on this year's salary but with the new increase (on top of the staged increase) only 6 per cent and so in line with the figure for the public services generally. The most plausible alternative is option C - implementing the third stage figure of £13,750 recommended by the

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TSRB in 1980 - but this would encourage other TSRB groups to argue that they too should be given the rates recommended for them in 1980.

4. It is recommended that Ministers should be treated on all fours with MPs. If the decision were in favour of option C, you, and no doubt the Lord Chancellor, would want to make it clear that, though your notional salaries would be set at the rates recommended by the TSRB, you would in practice draw only the same amount as the rest of your Cabinet colleagues.

5. A final decision is not needed yet, and indeed should not be taken until Cabinet has looked at the position of the other TSRB groups and decided what should be the general percentage increase for them - the TSRB will be reporting on the other groups later this month and Cabinet can then look at the issue again in May.

Handling

6. After the Lord President has introduced this part of the paper you might ask the Chancellor of the Duchy of Lancaster and the Chief Whip to comment on the likely reaction of MPs. The Chancellor of the Exchequer will wish to comment on the implications for other TSRB groups and the timing of decisions, and the Secretary of State for Social Services may wish to say something on the report which will be due shortly on the doctors and dentists.

7. In discussion you will need first to decide whether the Cabinet agrees with the way in which it is proposed to deal with the TSRB review for 1981. If that is agreed, you will wish to run through each of the options listed in paragraph 8 but focusing in particular on the recommended option D and the alternative of C. You will wish to discover whether the Cabinet agree that the preferred option should also apply to the pay of Ministers. The decision on the options will have to be subject to further consideration when Cabinet have decided on the percentage increase to be applied to the other TSRB groups.

Conclusion

8. You will wish to sum up this part of the discussion with reference to paragraph 16a., b. and c. of C(81) 13 and to record any provisional views on the timing of the announcement.

Remuneration of Junior Ministers in the House of Lords

Background

9. The level of remuneration of junior Ministers in the House of Lords came to Cabinet as an issue in the course of considering the recommendations by the TSRB on the pay of Ministers and MPs last summer. The Cabinet then agreed that there was a case for paying junior Ministers in the House of Lords more but also agreed that it was not possible to do anything about it at that time. When you announced the decisions on the TSRB Report, you made the statement quoted in paragraph 11 of C(81) 13 that the Government proposed to consider how the arrangements for the remuneration of junior Ministers in the House of Lords should be revised to take account of the fact that they did not receive any salary specifically in respect of their Parliamentary duties.

10. Both at that stage, therefore, and since, the question before the Cabinet has been not whether these Ministers should receive more money but how the increase could be achieved. The matter has been to Cabinet twice on the basis of earlier papers from the Lord President. On both occasions (in November 1980 and January 1981) the Cabinet, while accepting the case for increasing the remuneration of junior Lords Ministers, favoured doing so by means of payment of allowances rather than by a straight increase in salary, especially since it was understood that such an increase would require primary legislation.

11. The search for an acceptable allowance, which would provide the requisite increase - agreed by the Cabinet to be £3,500 a year - has proved illusory. After the Lord President reported to you in this sense on 4th February you held a meeting with the Ministers most directly concerned, at which there was agreement on the general lines of the proposal now put by the Lord President and the Chancellor of the Duchy in their paper C(81) 13. The essence of this proposal is to use the flexibility given by the Ministerial and Other Salaries Act 1975 to provide higher salaries for Ministers of State and Parliamentary Secretaries in the Lords than in the Commons. So far as Ministers of State are concerned, the 1975 Act and the Orders in Council made under it already provide a range of salaries. The present range is from £16,250 to £19,300, the latter figure being

received only by the Parliamentary Secretary, Treasury. The Lord President now proposes that all Ministers of State in the Lords should be paid at the top of the range, with Ministers of State in the Commons remaining at the bottom.

12. As regards Parliamentary Secretaries, it is necessary under the terms of the Act to prescribe a single salary figure, but Section 4(2) allows for salaries below this figure to be paid. There is at present, due to the past vagaries of incomes policy, a difference of £150 between the salaries of Parliamentary Secretaries in the Lords and those in the Commons. The Lord President now proposes that the maximum prescribed salary should be increased to the level thought appropriate for Parliamentary Secretaries in the Lords while those in the Commons (the majority) should be paid £3,500 less.

13. These proposals appear to achieve the desired result without the need for primary legislation. Although he expressed misgivings at an earlier stage, First Parliamentary Counsel has now confirmed that he sees no difficulty about the propriety of what is proposed. There remains, of course, the presentational difficulty of increasing the salary of any group of Ministers in present circumstances, and the particular difficulty that you might be criticised for using your discretion under the 1975 Act, to provide for differential salary payments to Ministers in the two Houses as a means of avoiding primary legislation. But the discretion exists and the need to obtain and retain Ministers of adequate calibre in the Lords provides justification for its use.

14. The figure of £3,500 was decided upon because it was about half the Parliamentary salary now paid to Ministers in the Commons. Up to now it has been assumed that the differential of £3,500 should apply to both Ministers of State and Parliamentary Secretaries, although the amount is, of course, a higher proportion of the total salary of the latter. It would be possible, if the Cabinet so wished, to have different differentials for the two groups; but this seems a further and unnecessary complication, especially since changes have also to be made in the salaries of the office holders and Whips, including Opposition Whips, in the Lords.

Handling

15. You will wish to ask the Lord President to introduce this part of the joint paper. You may then wish to ask the Chancellor of the Duchy to confirm his agreement to what is proposed and for any views on the degree of opposition likely to be expressed to the proposals in the Commons. (The Government will, of course, be proposing for junior Ministers in the Lords salaries higher than those envisaged by the TSRB, in contrast to their treatment of the TSRB recommendation for MPs.) You may also wish to confirm that the Chancellor of the Exchequer regards the proposals as an acceptable part of the total "package" and to ask the Home Secretary for any comments.

16. The Lord President can explain, if necessary, why the problem could not be solved by way of allowances. In brief, the extent to which junior Ministers would benefit from either the subsistence element in the Peers' expense allowance or some version of the additional costs allowance for those maintaining two homes would be fortuitous and uneven. To attempt to disguise a salary increase as an allowance, even a non-taxable allowance, might be seen as disingenuous and has no apparent advantage over the course now proposed.

17. As regards timing, you will want to confirm that the Cabinet accepts the Lord President's view that these proposals can best be announced as part of a more general statement on new salary rates for Ministers. This means that a further "stalling" answer will have to be given to any further question on the subject in the House of Lords.

Conclusions

18. In summing up this part of the discussion, you will wish:-

- (1) To record whether the Cabinet agrees in principle to the detailed proposals in paragraph 13 of C(81) 13.
- (2) Whether those proposals should be announced as part of a more general statement on salary rates for MPs and Ministers (i. e. as discussed on the basis of the first part of the paper).
- (3) Invite the Lord President of the Council and the Chancellor of the Duchy of Lancaster to set in hand the necessary detailed arrangements to implement the Cabinet's decisions.

REA

ROBERT ARMSTRONG

8th April, 1981



J. Nursaw

LEGAL SECRETARY.

✓MS
LAW OFFICERS' DEPARTMENT
ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

25 March 1981

N J Sanders Esq
Prime Minister's Office
10 Downing Street
LONDON S W 1

Dear Nick,

TAX ALLOWANCES TO MINISTERS AND MPs

You sent me a copy of your letter of 3[✓] March to Richard Tolkien in which you expressed the hope that the Prime Minister would receive by the end of this month the formal Opinion of the Law Officers about these allowances. At that time I shared that hope but the extraordinary events of the last two weeks have so occupied me that I have not been able to prepare a draft Opinion to test the views of the various Law Officers. There have been a number of recent consultations between the Solicitor General and the Solicitor to the Inland Revenue and it has proved far more difficult to reach conclusions than we had originally anticipated.

I very much regret the delay and I can assure you that the preparation of the formal Opinion is being treated as a matter of urgency.

I am copying this letter to Richard Tolkien and Norman Adamson.

*Yours sincerely,
Jim Nursaw*

Early

SIR ROBERT ARMSTRONG

I have shown the Prime Minister your minute AO4415 of 9 March 1981 with which you sent a copy of a letter you had received from Lord Plowden about this year's review of the pay of MPs and Ministers.

The Prime Minister is content with the action you have set in hand with Sir Ian Bancroft and she is ready to hold a meeting with a few senior colleagues in due course, as you suggest.

CLIVE WHITMORE

10 March 1981

C

*Copies to Mr Wolfson
Mr Hodgkins
Mr Verker.*

1. Prime Minister.

*Consent for us to
proceed as at x/1/81?*

Ref. A04415

MR. WHITMORE ✓

Yes

MW

9iii

I enclose a copy of a letter which I have received from Lord Plowden about this year's review of the pay of MPs and Ministers.

2. I have sent a copy of the letter to Sir Ian Bancroft with the suggestion that he should arrange for the preparation of a factual note and a study of options, which could then form the basis of a meeting between the Prime Minister and a few senior colleagues.

X

mb

RA

ROBERT ARMSTRONG

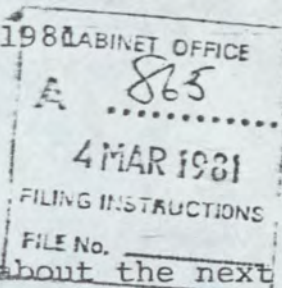
9th March, 1981



OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

2nd March 1981



Sir Robert,

In the light of our recent exchanges about the next report of the TSRB, I think it would be helpful if we could also now clarify the position with regard to our reporting on the pay of MPs and Ministers.

I understand that following the recent debate in the House of Commons, the question of forming a link between MPs' pay and that of a grade or grades in the civil service is to be referred to a Select Committee. Meanwhile, presumably the present arrangements are intended to continue. These are set out in the Prime Minister's letter to Lord Boyle of 8 August 1980, in which she said: "You have previously indicated that the Review Body would be willing to review MPs' and Ministers' pay on an annual basis and I would now like to ask you formally to undertake such a review for 1981." She went on also to ask the Review Body at the same time to review MPs' secretarial allowance, Peers' expenses allowance and the secretarial allowance of Ministers in the Lords.

That correspondence took place some considerable time ago. We wonder whether in the light of developments since then it remains the Prime Minister's wish that we should proceed with the review of these matters. As we see the position at present, it is most unlikely that we would wish to put forward new salary levels for MPs and Ministers, given that we were not doing so for the groups within our standing remit. In these circumstances, it seems doubtful whether it would be worthwhile for us to go to the length of producing a report this year.

I should be grateful, however, if you could let me know whether the Prime Minister nevertheless wishes us to proceed on the lines set out in her letter of 8 August. If it were decided that it would not be appropriate for the Review Body to report on the pay of MPs and Ministers in 1981, it would of course still be possible for us to provide advice, if desired, on the updating of the allowances. That, I think, is something that could be done quite briefly in the form of a letter from me to the Prime Minister on behalf of the Review Body rather than issuing a report.

John H. ...
John H. ...

Sir Robert Armstrong KCB CVO



cc: Ago BK

file

Parliament

Members

10 DOWNING STREET

From the Private Secretary

3 March 1981

BF 31.3.81

Tax Allowances to Ministers and MPs

Max Felstead wrote to me on 5 January 1981, saying that the Law Officers would be giving a formal Opinion in due course.

Since this question has been under consideration since last August, I hope that it may be possible for that Opinion to reach the Prime Minister by the end of this month. }

I am copying this letter for information to Jim Nursaw (Attorney General's Office).

N. J. SANDERS

Richard Tolkien, Esq.,
HM Treasury

KRB

PRIME MINISTER

cf/Up-rating of
Social Sec
benefits: Pt 2

Parl
Members

Parliamentary Affairs

1. Next Week's Business

You will see that the Opposition are likely to nominate Linwood as one of the subjects for their Supply Day on Tuesday. As I have said elsewhere, I am sure that we shall come under a lot of pressure on this.

* On Thursday, we shall return to the topic of Members' pay and pensions. Mr. Pym has been having consultations in the light of the Cabinet's earlier decisions, and his office will be letting us have a note of what he now proposes later tonight.

Below
(Duty Clerk 11/2/81)

2. Sickness Pay

The only other major topic to be discussed is the decision reached earlier today on the Social Security Bill. A minute from Mr. Pym and a Cabinet Office brief are attached.

MJS

* In the light of discussions with George Cunningham last night, the CDL now was to go after all for the "Cunningham formula" - so giving the House a chance to amend the figure after all. Mr St John Stevens' promise at flag A is too firm to go back on without a row, in Mr Pym's view.

11 February 1981

The business has been arranged in such a way that the Opposition ought to be away at the end of next week (they are expected to be on a 1-line whip on Wednesday and Thursday); we should, therefore, win!

MJS



13,150

~~handwritten~~
August

13

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster

11 February 1981

Nick Sanders Esq,
10 Downing Street SW1.

Dear Nick,

MOTIONS ON MPS' PAY AND PENSIONS

(C)

You will recall that I wrote to you on 9 December with the text of three motions which we had it in mind to table for the outstanding debate on MPs' pay and pensions. Subsequently Mr Pym has undertaken a number of consultations with various Parliamentary interests which have confirmed him in the view that it would be right to proceed with motions (i) and (iii) as set out in my previous letter. In relation to motion (ii) (linkage) he is now disposed to recommend consideration of a framework of reviews by an independent body once every Parliament rather than once every five years, in the following terms:

That in the opinion of this House, a select committee should be appointed to give further consideration to the desirability and possible method of conducting reviews of Members' salaries by an independent body once during each Parliament and of adjusting such salaries during the periods between such reviews by reference to increases in the remuneration of a designated group of outside occupations, and to make recommendations to the House.

He proposes that the motions should be taken in a debate on Thursday evening of next week after 10pm and following completion of all stages of the House of Commons Members' Fund and Parliamentary Pensions Bill.

He aims to complete consultations quickly with Mr Silkin and Mr Cunningham on Mr Cunningham's objection to motion (i) which is founded on the claim that Mr St John Stevas' words to Parliament on 7 August (extract from Hansard attached) implied that Parliament would have an opportunity to vote on an amendable motion before taking the unamendable motion proposed. He proposes to resist Mr Cunningham's suggestion that we should proceed accordingly. The Chancellor proposes, if the Government were defeated on motion (i) to use the statement annexed to my letter to you of 10 December. (D) Together with the proposed motions, this approach was, you will recall, approved by Cabinet on 11 December. If, despite all efforts, motion (i) were defeated (reference CC(80) 44th conclusions, item 1). I am sending copies of this letter to Murdo Maclean, David Wright and Wilfrid Hyde in Cabinet Office and Alan Williams and Dick Saunders in the Civil Service Department.

Yours ever,

Robin

R.A. Birch

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so be to bring that
more sensible line,

as well as to give an appropriate increase
in salary.

Mr. St. John-Stevas: I am afraid that
I cannot agree with my hon. Friend. The
allowances in this House are reimburs-
able allowances for expenses actually in-
curred. The fact that there is a combined
secretarial allowance and research allow-
ance of £8,000 does not mean that every
hon. Member is entitled to it. If an hon.
Member spends that money he can claim
it back; if he does not, of course he
would not apply for it.

Mr. Alexander: May I seek further
clarification on the problem of secretarial
pensions? My right hon. Friend used
the phrase "approved pension schemes".
Will the mechanics of the system be that
hon. Members should get their own
quotations and present them either to
the Fees Office or to himself for
approval? If so, when that is done
who gives the final approval? Has
my right hon. Friend considered
the possibility of the problems aris-
ing over secretarial pensions, presuma-
bly paid by their employers, when those
employers lose their jobs, as some of us
unfortunately do at election time, with
the danger of insurance premiums laps-
ing?

Mr. St. John-Stevas: Those are tech-
nical questions. If I may, I will write to
my hon. Friend on his second point.
As for pension proposals being referred
to myself, I feel rather as my right hon.
Friend the Home Secretary felt about
taxation proposals being submitted to
him. I would feel sorry for any hon.
Member who submitted a pension pro-

posal to me. He would have to be a
person of great faith—and of hope and
charity as well.

It is intended that any proposals should
be submitted to the Fees Office. It will
be possible for hon. Members to have
a model scheme with an insurance com-
pany, which the Fees Office will make
available, or, if arrangements are made
by hon. Members themselves for secre-
taries, they can submit a receipted claim
for money expended on the scheme, and
that will be reimbursed. Those are alter-
natives that hon. Members may pursue.

Mr. George Cunningham: When the
substantive motion comes before us after
the recess, will it be in terms of the
motion that the Government tabled be-
fore with regard to pensionable salary, or
in the terms of the amendment carried
by the House? Does the right hon. Gen-
tleman appreciate the importance of this?
If he tables a motion in accordance with
the figure that the Government want,
because it will be an effective motion
it will not be open to any non-ministerial
Member to move for an increase in the
figure. Therefore, there will be no oppor-
tunity to take again the decision that
was taken a week or two ago. How
does the right hon. Gentleman propose
to get around that difficulty?

Mr. St. John-Stevas: It is quite clear
that what I am proposing is that quite a
lot of information will be made available
to the House about the implications of
this change. The House will have an
opportunity of voting for the motion in
the terms in which hon. Members have
already voted. It is similar to that.



B/f to MS
on 2/3/81

Lat Member 2

PRIME MINISTER

And state in the question Progress is slow. I will chase the Law Officers in a few weeks, if you are content for me to do so.

Treasury Chambers, Parliament Street, SW1P 3AG

N J Sanders Esq
Private Secretary
10 Downing Street

MS
di

5 January, 1981

Dear Mr Sanders

TAX ALLOWANCES TO MINISTERS AND MPs

On 26 August, you wrote to Martin Hall recording the Prime Minister's wish that the question of the tax treatment of the extra expenses incurred by a Member for a provincial constituency in living in London after he becomes a Minister should be taken further and that the Treasury should seek the advice of the law officers. You asked me what the present position was.

The Chancellor accordingly consulted the Attorney General, who discussed the matter informally on 6 October with the Minister of State (Commons) and Mr Bitton from the Inland Revenue. The Attorney General agreed that the views of the Solicitor General and the Lord Advocate should also be sought and they were therefore consulted. The three Law Officers then met, together with the Inland Revenue's Solicitor, in conference on 26 November after which it was agreed that they would individually give further consideration to the problem in the light of the views expressed and would meet again in conference as soon as possible to discuss the matter afresh.

The issue is therefore being actively considered, but it may be a little time before the Law Officers are in a position to give their formal Opinion. As soon as they are, the Prime Minister will of course be sent a full report.

Yours sincerely
Max Felstead
Private Secretary



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Party Members
✓
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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

MPs' PAY AND PENSIONS

In his minute to you of 3rd December Norman St. John Stevas makes proposals about the way forward in this matter after hearing the generally helpful views of the 1922 Committee. *TPM*

2. I have no objection to what is proposed. We must at all costs try to prevent any concession on the pension accrual rate and if the suggested procedures will achieve that, I would accept them, even though the effect will be to marginally increase the deficiency in the fund which is being met by the Exchequer. To limit that effect, I hope it will prove possible to confine the availability of the existing basis of calculation for the purchase of added years to 12 months at the maximum, following which it could be reviewed.

3. I am sending copies of this minute to other members of the Cabinet and Sir Robert Armstrong.

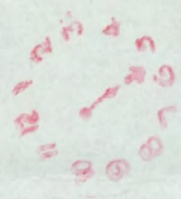
(G.H.)

// December 1980



Treas. & Finance, Baltimore Street, W. D. C.
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P.0339

PRIME MINISTER

MPs' PAY AND PENSIONS

As you know, the Chancellor of the Duchy of Lancaster will be raising the question of MPs' pay and pensions at Cabinet tomorrow in the context of next week's Parliamentary business. There are two questions:-

(a) Whether next Monday is the right time for such a debate given the other Parliamentary business in prospect for that day (eg a possible guillotine motion on the Social Security Contributions Bill)? The Leader of the House and the Chief Whip will no doubt advise on this.

(b) Whether Cabinet colleagues are content with the motions now [attached] proposed? This can perhaps be assumed given that they have known of their content since the Chancellor of the Duchy's minute to you of 3 December - copied to all Cabinet colleagues - and no strong views have been expressed.

2. If problems do arise, however, there is no operational reason why the debate should take place this side of Christmas. It would therefore be perfectly possible for Cabinet to look at the issues early in the New Year with a view to a debate in January if they so wished.

P Le CHEMINANT

Cabinet Office

10 December 1980



Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

10 December 1980

Dear Nick,

MPS' PAY AND PENSIONS

Further to ^{below} my letter of yesterday, I now enclose a draft of a statement which might be made by the Chancellor of the Duchy after the debate on MPs' pay and pensions if the Government is defeated on the pensionable rate of pay. I am advised by Murdo that procedurally this would need to be done on a Point of Order. The statement would not need to specify the groups who would get the full rate for their pensionable pay as a consequence of the House's decision, but the Chancellor's opening speech would make it clear that the groups in question in respect of whom the Government would take action would be the higher civil service, senior officers in the armed forces, the judiciary and the chairmen and members of the boards of nationalised industries. It would also be for consideration whether the Government should include a statement that they would lay an Order before the House to give the full Boyle rate for pensionable pay to Ministers; this could, however, be more difficult, not least in the light of the decisions of Ministers on their own pay, and is not perhaps essential to the point which the Government would be trying to make in the debate.

I will write again when the Chancellor has seen Mr Silkin, but in the meantime you and those to whom I am copying this letter may like to think about the handling of the fall-back position if Ministers are in fact prepared to agree that there should be such a position when they discuss the matter at Cabinet tomorrow.

I am copying this letter to Murdo MacLean, to Peter Le Cheminant and Wilfred Hyde in the Cabinet Office, to Dick Saunders and Alan Williams, CSD, and also (with a copy of my letter of yesterday) to John Wiggins at the Treasury.

Yours ever,

R A BIRCH

Nick Sanders Esq
10 Downing Street

DRAFT

STATEMENT BY THE CHANCELLOR OF THE DUCHY OF LANCASTER IF
THE GOVERNMENT IS DEFEATED ON THE PENSIONABLE PAY OF MPS.

The House has made it clear that it rejects the recommendation of the Government that Members' pensionable pay should be £13,150. The Government accepts the will of the House and will introduce an effective motion setting pensionable pay at £13,750, the rate recommended by the Review Body for Members' salaries, as soon as possible. As I told the House quite plainly in my speech today, a firm consequence of giving Members the full Boyle rate for pensionable pay is that the other groups for whom Boyle made salary recommendations should also get the full rate for their pensionable pay. The House voted knowing that this was a consequence. The Government will therefore take steps to increase the pensionable pay of these other groups when the effective motion on Members' pensionable pay is passed by the House.



Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

9th December 1980

Dear Nick,

MOTIONS ON MP'S PAY AND PENSIONS

As you know we are still completing our consultation with the opposition parties on MP's Pay and Pensions and the Chancellor will be seeing Mr Silkin at 3.45 pm tomorrow, the 10th December. When that meeting is over we shall be able to assess the total result of the consultations and to consider how to proceed, but in the meantime I thought that you might like to have the text of the Motions which we should propose to put down for the Debate next Monday (or whenever it is decided to hold it, if a later date proves unavoidable).

The three Motions would be as follows (all in the name of the Chancellor):

- to be read
with the attached
'fall-back'
statement*
- (i) That the ordinary salary of every Member in respect of service on or after 13th June 1980 shall be regarded for pension purposes as being at the rate of £13,150. (Queen's Recommendation signified).
 - (ii) "That, in the opinion of this House, a select committee should be appointed to give further consideration to the desirability and possible method of conducting regular reviews of Members' salaries by an independent body at intervals of 5 years and of adjusting such salaries during the periods between such reviews by reference to increases in the remuneration of a designated group of outside occupations, and to make recommendations to the House."
 - (iii) "That, in the opinion of this House, the annual amount of a Member's pension should continue to be one-sixtieth of relevant terminal salary for each year of reckonable service, and that Members should have a new option of limited duration to purchase additional reckonable service by lump sum, or by fixed instalments payable as a deduction from salary over a period of five years".

Whether the Debate can now proceed on Monday will turn in the first place on whether the Cabinet are prepared to agree a fall back position to be announced by the Chancellor after the vote if

this goes against the Government on the matter of the pensionable rate of pay (Motion (i) above). There will be a second judgment to be taken, even if we can reach an agreement on the fall back position, on whether it will be expedient to press on with the Debate next Monday in the light of other business in prospect on that day, but I will talk to Mr MacLean about this and no doubt the Chancellor and the Chief Whip will want to discuss this before Cabinet on Thursday.

I am copying this letter to Mr MacLean, Peter le Cheminant and Wilfrid Hyde in the Cabinet Office and Dick Saunders and Alan Williams in the Civil Service Department.

Yours ever,

Robin

Nick Sanders Esq
Private Secretary
No 10 Downing Street
London



cc: CDH

VD

10 DOWNING STREET

THE PRIME MINISTER

9 December 1980

Mr. Liddard.

In the TSRB's Thirteenth Report two proposals requiring legislation were made in connection with the pension position of Members of Parliament. I am writing to let you know that a Bill is to be introduced in the current session of Parliament to give effect to specific proposals on these matters.

The Review Body recommended that, as a matter of urgency, Members of the House of Commons with no service on or after 16 October 1964 should be entitled as of right to payments from the House of Commons Members' Fund (Thirteenth Report, para 50). The Government will be placing before the House measures which will provide that pre-1964 Members with at least ten years' service shall be entitled to grants of £1,000 a year from age 65 onwards. Widows and dependent widowers will be entitled to £500 a year regardless of age.

At the same time we shall deal with the Review Body's proposal that in view of the uncertainties of a Parliamentary career there should be a greater flexibility for Members to transfer pension rights into the Parliamentary scheme (Thirteenth Report, para 45). We are proposing a slightly different approach to that suggested in the Report. An option to transfer into the Parliamentary scheme at any time within 5 years of first entering the House would allow Members to pick the most favourable moment to make the transfer, at the expense of the scheme. Moreover, it would not help the Member who lost his seat after, say, 10 years and was re-elected at a later

/ date.

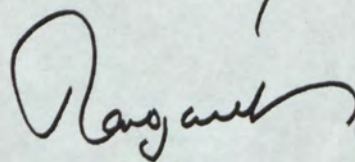
SSS

date. We have decided instead to allow the existing 12 months option to be exercised afresh on re-election to the House after a period of absence, or - as the Review Body suggested - on appointment or re-appointment as a Minister. This approach is favoured by our actuarial advisers and will, I hope, prove even more welcome to Members than that suggested in TSRB 13.

I should like once again to thank you and your colleagues for the careful consideration which you have given to various pension matters affecting Members of Parliament, and I hope it will be evident from the proposals which I have just described that the Review Body's suggestions have been immensely helpful to us.

All good wishes.

Yours sincerely



The Rt. Hon. Lord Boyle of Handsworth



PRIME MINISTER

TSRB 13: PENSION POSITION OF MPS

Now that our legislative programme for the coming session has been made public, it would seem appropriate to inform Lord Boyle of what we are proposing to do on the outstanding recommendations of TSRB 13, particularly as this was not specifically mentioned in The Queen's Speech. As you will recall, there were two points.

- a) TSRB considered that Members who left the House before 16 October 1964 and who therefore had no pension rights should urgently be given, as of right, a measure of benefit from the House of Commons Members' Fund (TSRB 13, para 50). Up to now payments from the Fund have been discretionary and means-tested. Our Bill will provide annual grants from age 65 to pre-1964 Members with 10 or more years' service, and to their widows or dependent widowers.
- b) TSRB also proposed greater flexibility in the time limits set for transferring pension rights from previous employment into the Parliamentary scheme (TSRB 13, para 45). This will also be dealt with in the Bill, though not in precisely the way suggested by Lord Boyle. (Our proposals have the twin advantages of being more attractive to Members and less costly to the Pension Fund.)

... I attach a draft letter accordingly for you to send to Lord Boyle.

N St J S

N St J S
5 December 1980

CONFIDENTIAL



Call Member

Ref. A03754

~~MR. WHITMORE~~

*overtaken by events
MS*

Pay and Pensions of MPs

I wonder if the Prime Minister might be disposed to comment on the minute she received from the Chancellor of the Duchy of Lancaster on 3rd December on the lines of the draft attached.

RA

ROBERT ARMSTRONG

5th December, 1980

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CONFIDENTIAL

DRAFT FROM PRIME MINISTER'S PRIVATE
SECRETARY TO R. A. BIRCH, PS TO CHANCELLOR
OF THE DUCHY OF LANCASTER

cc Private Secretaries to other members of the
Cabinet

The Prime Minister was grateful for the
Chancellor of the Duchy of Lancaster's minute of
3rd December about the pay and pensions of MPs.

She will await the comments of other
colleagues, but in the meantime has asked that
consideration should be given to the following
questions:

- (1) The Chancellor recommends setting up a
Committee of the House to look in greater
detail at the form and content of possible
linkage. This would in effect be leaving it
to Members of Parliament to determine the
level of their own pay. The Prime
Minister wonders whether it would be better
for the Government to agree that the
question of linkage should be further
pursued ~~but to~~ propose that, before the
question is taken any further by the House of
Commons, the TSRB should be invited to
consider what linkage would be appropriate,
if it were to be decided to go for linkage.
In his speech the Chancellor of the Duchy of
Lancaster could then say that the Govern-
ment were still sceptical about linkage, and
would like to consider the matter in more
detail on the basis of a more definite
indication of what linkage would be
appropriate.

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- (2) The Prime Minister has noted the Chancellor's suggestion that the introduction of new contribution rates for buying added years should be delayed for about a year. Can the Chancellor give any estimate of the likely total cost of this delay? How would the Government justify such a delay for Members of Parliament, if contribution rates are being raised in other parts of the public sector? Are the recommendations of the Scott Report likely to have any bearing on this matter?

I am sending copies of this letter to the Private Secretaries to other members of the Cabinet and to David Wright.

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PRIME MINISTER

PAY AND PENSIONS OF MPS

of one of files

You will recall that on ~~21~~ July the House of Commons approved a resolution calling for an increase in the rate of pensionable pay for MPs to £13,750 (against a Government proposal of £13,150), a link between Members' salary and that of a specified grade in the public service, and an increase in the accrual rate for Members' pensions to 1/40th of final salary for each year of service. In my statement to the House on 7 August, I said that these issues raised considerable complexities and that the Government had decided to place a factual paper before Members; the House would then have an opportunity to vote after the recess on further proposals in the light of that paper.

The factual paper was circulated on ~~23~~ October. Since then I have had about a dozen letters from individual Members, expressing a range of opinions from continued support of the points in the July resolution to outright opposition, and I have consulted Edward du Cann, Paul Bryan, Charles Morrison and Kenneth Baker. I will also be seeing opposition representatives shortly. At the meeting with the representatives of the 1922 Committee a number of proposals on how the Government should now proceed were put forward and I would be grateful to have your views, and those of colleagues, on them.

Pensionable Pay

The factual paper pointed out that the Government's treatment of MPs' pay was on a par with our treatment of the pay of the other Top Salaries Review Body groups. If the House insisted on the full Boyle rate for Members' pensions (£13,750), it would be virtually impossible not to allow the other groups the same thing. I am pleased to say that the representatives of the 1922 Committee took this point and said that they would support the Government's original proposal for a pensionable pay rate of £13,150. I propose therefore that we should put down a fresh motion fixing pensionable pay at £13,150. The

Parliament

PRIME MINISTER

*Seen by
PM
E*

To see. I doubt that this will be raised in Cabinet tomorrow, but you should be aware of it — and we will bring it back to you once colleagues have commented.

*MS
3/12*

relevant legislation requires that, to be effective, this motion must have The Queen's recommendation, and it will not therefore be amendable. For the July debate we put down two identical motions, one framed as an expression of opinion in order to give the House an opportunity to make amendments. The representatives of the 1922 Committee advised against this procedure this time round, and I agree with them. It could only add to our difficulties.

Linkage

The factual paper set out the arguments against any form of linkage but said that if the House was determined on linkage then the least damaging system would be to have independent reviews of MPs' pay about once every five years and linkage operating between these reviews. The link should be with a "basket" of outside pay rates - the paper suggested a basket of Civil Service grades.

The representatives of the 1922 Committee felt that opinion in the House was still in favour of linkage and that the form of linkage suggested in the paper would find support. They recommended against outright rejection of any form of linkage by the Government and proposed instead that a committee of the House should be set up to look in greater detail at the issue.

I agree with this view. I fear that if we put down a motion rejecting linkage altogether we shall lose. I therefore suggest that our motion should propose that further consideration should be given to the idea of having quinquennial independent reviews of Members' salaries with updating in the intermediate years by reference to a basket of outside comparators, and that this consideration should be undertaken by a Select Committee. If the House accepts this proposal we can follow it up later with a motion naming the members of the Select Committee and settling other procedural points. In my speech I would make it clear that the Government were still sceptical about linkage but that we were prepared to consider what the Select Committee might have to say.

Pensions Accrual Rate

An accrual rate of 1/40th would make the Parliamentary pension scheme considerably more favourable than almost all other public sector schemes. The Government's factual paper therefore pointed out the high cost and the possibly serious repercussions if it were pursued. The representatives of the 1922 Committee indicated that, although there was still a strong groundswell of opinion in favour of 1/40ths, we could probably dissuade the House from pursuing it at the present

time if the Government were to make a worthwhile concession on the purchase of added years. At present Members may purchase added years at any time by periodical contributions or, within 12 months of entering the House, by lump sum. The proposal would be to allow payment in the latter case by instalments spread over, say, 5 years, in order to ease the financial burden on the Member. A new once-for-all option for lump sum purchase by instalment would be given to all Members. Thus a Member who is relatively close to retirement, and could not buy much extra service by periodical contributions, could find it easier to supplement his pension by lump sum purchase of added years. I am advised that this is technically feasible and indeed is already a feature of one or two public service pension schemes. I therefore recommend that we should make this concession as an alternative to the 1/40ths.

There is, however, one small point that I should mention. The contribution rates for buying added years in all the public service schemes are currently being increased on actuarial advice, and the Government Actuary's Department have just proposed revised rates for the Parliamentary scheme. If we did not introduce the new rates at the same time, there would be some Exchequer subsidy to those choosing to take up the new option (for a 50 year old Member buying 5 extra years, it would amount to £3,000, while the Member himself would pay about £10,000). However, only the Civil Service out of the other public service schemes has yet introduced the higher rates. To do so immediately for MPs would seem churlish and I am convinced that it would endanger any agreement not to pursue 1/40th accrual. To delay implementation of the higher rate for about a year would be a small price to pay for persuading Members to drop their proposals for faster accrual, and I hope we can agree that I should follow this course.

Conclusion

Subject to your views, and those of colleagues, I propose the following (once I have completed consultation with Opposition interests):

- i. to arrange a debate in the last week before the Christmas recess (possibly on 15 December but later in the week if the pressure of other business makes this necessary);
- ii. to put down a single unamendable motion fixing the pensionable pay of MPs at £13,150;

iii. to accept that linkage, on the basis of quinquennial independent reviews and the use of a basket of comparators in intermediate years, should be considered further by a Select Committee;

iv. to urge the House to reject the 1/40ths accrual rate and to offer Members the opportunity to make lump sum purchases of added years on an instalment basis as an alternative: the cost of any added years to remain at the old rate for about a year.

I am copying this minute to other members of the Cabinet and Sir Robert Armstrong.

NSJS

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3 December 1980

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COLLECTION

PART 3 ends:-

CSD to CDL office 28.11.80

PART 4 begins:-

CDL to PM 3.12.80

~~RTA to CAW(A03752)~~ ~~5.12.80~~

