

PREM 19/1204

PART 5

~~SECRET~~

CONFIDENTIAL FILING

TSRB Reports on Salaries of Senior Civil Servants, senior members of Armed Forces and Judges.

ECONOMIC
POLICY

Policy towards next round of Review Body Reports.

PART 1 : MAY 1979

PART 5 : MAY 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
10.5.83							
11.5.83							
16.5.83							
17.5.83							
5.7.83							
21.7.83							
2.8.83							
6.9.83							
4.10.83							
12.10.83							
2.12.83							
5.12.83							
20.12.83							
23.12.83							
15.1.84							
27.2.84							
8.10.84							
27.2.84							
PART ends							

PREM 19/1204

● PART 5 ends:-

AT to PM 27.2.84

and CR to AT undated

PART 6 begins:-


RTA to FEB 1084/111

5.3.84

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.

House of Commons HANSARD, 21 July 1984, column 224 to 226: Top Salaries Review Body

Signed  Date 13/09/2013

PREM Records Team

MR. BUTLER
MR. COLES
MR. TURNBULL ✓
MR. FLESHER
MR. BARCLAY
MR. ALISON
MR. SHERBOURNE

I have arranged the following meeting with
the Prime Minister:-

Subject T.S.R.B. Pensions

Date 7 March

Time 1.30

Venue No. 10

Person/people invited Ch. Ex., Hd. Ch. Sec. etc.
* W.P.P., S/D, H.S., S/D, etc.

Added Ministerial attendance

Briefing

- a) I have commissioned briefing from
- ✓ b) Could you arrange briefing if necessary
CO will provide .
- CR

* Hd. Gov. Sec. can't make it

Caroline Ryder

PRIME MINISTER ^①

cc Mr Owen

TSRB Pensions

At the meeting on 9 February it was agreed that part of the problem arises from the fact that final salary is defined differently for the different groups. Sir Robert Armstrong was asked to prepare a paper setting out what would be involved in putting all groups on to a basis similar to that of the Civil Service so that the precise day of retirement had less effect on pension. His paper is attached.

Changes could be made to the schemes for judges and senior officers but there are drawbacks. In the case of judges, legislation would be required and there would be a worsening of the terms of the judicial pension scheme. The Lord Chancellor is likely to object if acceptance of the deal for recently retired judges is made conditional upon a worsening in the terms for future retiring judges. In the case of the Services, a scheme has been identified which would eliminate the "cliff edge" without making the scheme as a whole less attractive, but it would require significant administrative changes which can only be justified as a precaution against a possible recurrence of the present problem.

why?

Thus a deal in which the Lord Chancellor and the Secretary of State for Defence are given what they want in return for accepting new arrangements in the future does not seem to be a runner. We might, on merit, want to change the future arrangements but the difficult choices for the present problem remain.

I propose to set up another meeting for which Cabinet Office will provide a brief but unless the Chancellor decides

/to withdraw

to withdraw on the understanding that in future cases
it will be made clear that there will be no back-dating
another impasse seems likely with the matter being referred
to Cabinet.

Agree a meeting as the next step?

AT

Yes mf

27 February 1984

cc ~~NO~~

B

Ref. A084/636

MR TURNBULL
✓TSRB Pensions

As your letter of 9 February to Mr Kerr records, I was asked at the meeting on that date under the Prime Minister's chairmanship which discussed the consequences for pensions of the Government's decisions on the 1983 TSRB recommendations to prepare a factual note on certain matters. This is now attached. It has been agreed with officials of the Lord Chancellor's Department, the Treasury, and the Ministry of Defence.

2. I am sending copies of this minute, with attachment, to the Private Secretaries to the Lord Chancellor, the Chancellor of the Exchequer, the Lord Privy Seal, the Secretaries of State for Defence and Social Services, and Lord Gowrie.

RIA

ROBERT ARMSTRONG

27 February 1984

ECON POL: TSRS



ATS

COMPTON

PENSIONS OF TOP SALARIES REVIEW BODY GROUPS

Note by the Secretary of the Cabinet

INTRODUCTION

The Government's decisions on the salary recommendations in Report No 19 of the Top Salaries Review Body (TSRB) have implications for the pensions of those members of the groups covered by the TSRB who retire during 1983 and 1984. It has been represented that because pensions are related to final pay the staging of the pay award has had severe effects on those retiring before 1 January 1984, and especially on those retiring between 1 April 1983 and 1 August 1983; and that in some cases those retiring during this latter period would receive smaller pensions than those who had retired earlier.

2. These matters were discussed at the meeting of Ministers on 9 February under the chairmanship of the Prime Minister. The meeting identified two possible approaches. One, known as 'Option 2' was to backdate the salary awarded from 1 August 1983 to 1 April 1983 for pension purposes. The other, known as 'Option 5', was to take no special action. The Prime Minister suggested that the apparent anomalies in the situation, which Option 2 was intended to mitigate, arose at least in part from the different methods adopted for each of the three TSRB groups of determining final salaries for pension purposes. The meeting agreed that there was a strong case in principle for putting the groups on to the same basis, but thought that more information was needed before this could be resolved.

3. I was accordingly asked to prepare a factual paper setting out the pension arrangements and salaries of the groups concerned and examining what would be involved in bringing the method of determining the final salary for pension purposes of judges and senior officers of the Armed Forces into line with other TSRB groups.

4. This note carries out that remit. It has been agreed with officials of the Lord Chancellor's Department, Treasury, and Ministry of Defence. It is divided into three sections:

- i. a statement of the current position;
- ii. an analysis of what would be involved in changing that position;
- iii. other considerations and conclusions.

SECTION I: THE CURRENT POSITION

The TSRB Groups

5. There are three groups involved:

- i. the higher civil service;
- ii. the judiciary;
- iii. senior members of the Armed Forces (Major Generals and equivalent and higher ranks).

Details of their salaries are set out in Annex A, which reproduces the Prime Minister's Written Answer of 21 July 1983.

Higher Civil Service

6. Higher civil servants are members of the Principal Civil Service Pension Scheme (PCSPS). This provides pension at the rate of 1/80th of 'final salary' plus a lump sum of 3/80ths of 'final salary', for each year of pensionable service up to a maximum of 40 years at age 60. 'Final salary' is defined as the highest pensionable pay over 4 consecutive quarters in the last 3 years of service: for those covered by the TSRB this is nearly always the pensionable pay over the last 12 months of service.

7. Pensions under the PCSPS are increased in line with inflation after award like other public service pensions. Increases take place each November. All pensions awarded more than 12 months before the uprating are increased by a standard percentage; those awarded less than 12 months before the uprating are increased by 1/12th of the standard percentage for each complete month between the award and the date of the uprating.

The Judiciary

8. Details of judicial pensions are given in Annex B. There are several schemes, all set out in statute. The accrual pattern varies; but all the schemes enable a full career pension of half salary, plus a lump sum of twice the pension, to be earned. Pension is determined as the appropriate fraction of the 'last annual salary'. Legal advice, which accords with current practice, is that this means the standard annual rate for the job actually in payment on the date of retirement. Any change would require primary legislation.

9. Judicial pensions are increased in the same way as pensions under the PCSPS (paragraph 7 above).

The Armed Forces

10. Details of the Armed Forces Pension Scheme (AFPS) are given in Annex C. The AFPS covers all members of the regular forces alike. Partly for management reasons and partly because of the complexity of pay arrangements, pensions under the AFPS are not calculated directly on an individual's pay as in the PCSPS and the judicial pension schemes. Instead, pension codes based on representative rates of pay for each rank are promulgated: these set out scales of pension which, like pay scales, have immediate effect and run until superseded. In recent years, pension codes have run from 1 April to 31 March in the following year.

11. There is no single percentage rate of accrual in the AFPS; but the scales are established for each rank by a formula which sets the lower and upper points by reference to fixed percentages of the representative rate of pay. The pension for an officer with

16 years' service (the normal minimum qualifying period) is 28.5 per cent of the representative rate of pay; the pension for an officer with 34 years' service is 48.5 per cent of that rate. Progression between the lower and upper points is linear. For both officers and other ranks 48.5 per cent is the maximum pension, not 50 per cent as in most other public service pension schemes. The full pension calculation, including lump sum, is therefore based on 97 per cent of the pay rate. This adjustment is based on the assumption of an average pay increase over the long term of 6 per cent a year. Broadly speaking, on this basis, a member of the AFPS retiring at the end of Spetember (the mid-point of the usual 'code year') has his pension based on the equivalent 'final salary' as defined in the PCSPS.

12. Pensions under the AFPS are in general uprated after award in the same way as those under the PCSPS and the judicial pension schemes. However, the method of applying the first pensions increase after retirement is unique to the Armed Forces. The pensions of all who retire within the same code year receive an identical first pensions increase of 1.75 twelfths of the full annual increase. This is applied from the uprating in November for pensions which began before that date; and from the date of award for pensions which began subsequently, but before the end of the code year on 31 March.

13. The intended effect of these arrangements is to put all those retiring within a typical code year, running from 1 April to 31 March, in the same position as someone retiring at the end of September, the mid-point of the year, under a scheme with the normal public service arrangements for calculating final pensionable pay and post-award pensions increase. This has the advantage of making it a matter of indifference to a member of the Armed Forces, so far as pension terms go, when he retires within a particular code year. It is also broadly equitable by comparison with other public service pension schemes. In typical circumstances, members of the Armed Forces retiring between 1 April and 30 September do rather better than other public servants in terms of the definition of pensionable salary but rather worse in terms of

pensions increase; both these effects are reversed for those retiring between 1 October and 31 March. On the other hand:

a. the system produces a "cliff edge" on the date when one code is superseded by the next. There may be a big incentive to delay retirement from, say, March into April;

b. the system is arguably not well-adapted to circumstances such as those of 1983. The pensions of senior officers who retired after 31 March 1983 continued to be based on 97 per cent of the 1982 pay rate, producing a less favourable result than the PCSPS arrangements; and they received less pensions increase at the November 1983 pensions uprating than other public servants who retired on the same date.

SECTION II: POSSIBLE CHANGES

14. Paragraphs 15 to 21 below discuss the implications of basing pensions under the judicial pension schemes and the AFPS on a definition of 'final salary' as close as possible to that used in the PCSPS. Any changes would apply only to future retirements: it would not be possible to apply changes retrospectively.

15. There is no link between changes in judicial pensions and changes in the AFPS. At least so far as technical and legal considerations are concerned changes could be made in one set of arrangements quite independently of the other.

Judicial Pensions

16. There would be no technical or administrative difficulties in basing judicial pensions on the same definition of final salary as in the PCSPS: full salary records exist for all those would be covered; and there are no undue complications in judicial pay arrangements.

17. The obstacles to change are legal and managerial:

a. Any change would require primary legislation. The Lord Chancellor has no suitable legislative vehicle available or in prospect.

b. To base pensions on average salary over a period of 12 months instead of salary on the last day of service would be a clear worsening in pension conditions. Pensions are a significant part of the remuneration package on offer to prospective judges; and to worsen them would make the Bench that much less attractive. I understand that the Lord Chancellor would therefore resist such a change unless it were possible to offer compensating improvements in other features of judicial pensions.

AFPS

18. As noted in paragraph 10 above, senior officers are members of the AFPS on the same basis as all other members of the regular forces. The Ministry of Defence would not wish to change that situation: other considerations apart, senior officers will have been covered by the AFPS, and had their pay adjusted accordingly, for the greater part of their careers; and there would be difficulties in transferring them to a significantly different scheme in their later years of service. The complexities of the Armed Forces pay and pension schemes preclude full adoption of the PCSPS arrangements.

19. It would, however, be possible, while retaining the basic structure of the AFPS, to achieve a broadly similar effect to that of the PCSPS arrangements in the following way.

a. Pensions would be based on 100 per cent of representative pay rates instead of 97 per cent.

b. Pensions would be determined as a weighted average of the codes applying during the last year of service. Thus if Code X had applied for 100 days and Code X + 1 for 265 days, the pension would be 100/365 of the award due under

Code X, plus 265/365 of that due under Code X + 1. Because pensionable pay is determined by a single rate of representative pay for each rank, and the rank for pension purposes is determined by a qualifying period in the rank, there is no need under the code system to scan back over more than 12 months' service, as in the PCSPS.

c. Pensions increase arrangements would be brought into line with those in the other public services.

20. There would be no fundamental legal, technical, or managerial objections to these changes, though it would be essential to ensure that they did not lead to an increase in total costs. They would avoid the "cliff-edge" effect for those leaving just before and those leaving just after a change in the pension code, and in this sense would be more equitable than the present system. The advantage of delaying retirement until 1 April would be removed. There would be less likely to be distortions, as can arise under the present system, resulting from minimal, or even negative, differentials between the lowest ranks covered by the TSRB and their immediate juniors, who are covered by the Armed Forces' Pay Review Body.

21. But:

a. Adoption of the full PCSPS system would require data for a run of three years to be held on the pay computers. At present only current pay information is held. Such a change could therefore not take place before April 1987, by which time the necessary data base would have been established.

b. Even the adoption of 'average pay over the last 12 months of service', as suggested in paragraph 19 above, would need time to work out. The AFPS applies to over 300,000 people; and the full implications of the change have yet to be considered. The Ministry of Defence consider that it could not take place before April 1985.

c. Either system would be more complicated than the existing one and would probably require a small number of extra staff to run it.

SECTION III: WIDER CONSIDERATIONS AND CONCLUSIONS

22. None of the changes discussed in this note would affect those who have already retired. The question is whether Ministers wish to adopt the changes either for their own sake or as part of a package in which special action was taken under existing arrangements to help those whose pensions were adversely affected by the staging of the 1983 pay award.

23. Much of the current resentment among those affected springs from the fact that expectations have been disappointed because the previous practice of back-dating staged pay awards for pension purposes has not been followed. Moreover, the decision was taken when it was already too late for those who could have chosen to act otherwise to do so. To avoid a recurrence, it would be helpful to issue a clear statement that in future pensions will follow pay.

24. Bringing the definition of 'pensionable pay' for judicial pensions and the AFPS more closely into line with the PCSPS would remove the "cliff-edge" effect whereby, in the extreme, a single extra day's service can make a big difference to the pension. It would not necessarily avoid situations in which those who retire later, from the same office or rank and with the same service, receive smaller pensions than those who retired earlier. These situations derive from the pensions increase arrangements and are bound to arise if pay awards take place at longer than yearly intervals or are lower than the rate of price inflation. (They have, however, been exacerbated by the present special arrangements for initial pensions increase under the AFPS.)

25. Fourthly, in the case of judicial pensions there would be no technical difficulty in adopting the same definition of pensionable salary as in the PCSPS; but the change would require legislation; and there are managerial considerations, especially the ability of the Bench to attract suitable recruits, which Ministers will wish to weigh. In the case of the AFPS there are no obvious legal or managerial obstacles to moving towards the PCSPS system; but the application of that system would need to be modified to fit the

special circumstances of the Armed Forces. As such a move would involve a change in the pension system for over 300,000 Servicemen and women, it is not possible at this stage to be certain that there are no practical obstacles in the way of change. But it is clear that it would not be possible to make changes immediately; and a new system might be slightly more expensive to administer.

DEFINITION OF JUDGES' FINAL SALARY FOR PENSION PURPOSES

Legislative background

1. A summary of the judicial pension schemes is as Appendix A. The main legislation is the Judicial Pensions Act 1981, whose provisions govern pensions for, inter alia, the higher judiciary (Section 2), the Circuit judges (Section 5), the stipendiary magistrates (Section 7), and the Supreme Court Masters and Registrars and the County Court Registrars (Section 14 and Schedule 1). The Judicial Pensions Act itself was simply consolidating legislation which brought together a number of separate pension provisions enacted over a long period of time. All the members of the judiciary who retire between 31 March and 31 July 1983 (and who therefore would benefit from the proposed back-dating in 'Option 2') fall into one of these four groups.
2. All the Schemes determine pensions as a fraction (depending on length of service) of the 'last annual salary'. This has always been interpreted as the standard annual rate for the job in payment on the date of retirement. Current legal advice reaffirms that this interpretation is correct, and that primary legislation to amend the 1981 Act and all other legislation where the same formula is used would be needed to allow pensionable pay to be calculated by reference to the actual pay received during the calendar year up to the date of retirement, or to allow the choice of the best year in the last three (though, in practice, for judges this is always likely to be the immediate past year).

JUDICIAL PENSIONS

OFFICE	STATUTORY BASIS	BASIC BENEFITS	MAXIMUM PENSION SPAN	OPTIONAL WIDOW'S PENSION CONTRIBUTION
Supreme Court Judge	Judicial Pensions Act 1981 S1, 2, 16, 17.	Immediate pension and lump sum after 15 years; or at 70; or on medical grounds	15 years	4% of salary for 180 months
Circuit Judge	Judicial Pensions Act 1981 S5, 16, 17.	Immediate pension and lump sum after 15 years, providing that he is at least 65; or on medical grounds; or at the end of year of service in which he attains age 72.	15 years	4% of salary for 180 months
Stipendiary Magistrates	Judicial Pensions Act 1981 S7, 16, 17.	Immediate pension and lump sum at age 65, providing he has at least 5 years' service; or on medical grounds after at least 5 years' service.	20 years	3% of salary for 240 months
County Court Registrars Masters and Registrars of the Supreme Court President of the Transport Tribunal	Judicial Pensions Act 1981 S16, Schedule 1 Part I and II	Immediate payment of pension and lump sum after 15 years; providing that he is at least 65; at age 72, providing he has at least 5 years' service; on medical grounds after at least 5 years' service.	20 years	3% of salary for 240 months
Lord Chancellor's Legal Visitor	As above	Immediate payment of pension and lump sum after 10 years, providing that he is at least 65; at age 72, providing he has at least 5 years' service; on medical grounds after at least 5 years' service.	20 years	3% of salary for 240 months

APPENDIX B

JUDICIAL PENSIONS

OFFICE	STATUTORY BASIS	BASIC BENEFITS	MAXIMUM PENSION SPAN	OPTIONAL WIDOW'S PENSION CONTRIBUTION
President and Chairman of Industrial Tribunals, Social Security Commissions	Judicial Pensions Act 1981 S12, 13, 16	As for a Circuit Judge; he may also retire with immediate pension and lump sum at the age of 72, irrespective of the length of service.	15 years	4% of salary for 180 months.
Judge Advocate General	Judicial Pensions Act 1981 S8 and 9, 16	If he is already pensionable under the PCSPS, he may opt to remain so. If not, he may receive immediate pension and lump sum at age 60, providing he has at least 5 years' service; or on medical grounds with at least 5 years' service.	15 years	4% of salary for 180 months
President and Members of Immigration Appeal Tribunals	Immigration Act 1971 Schedule 5	Immediate pension and lump sum at age 65, providing he has at least 15 years' service; or on medical grounds after 5 years' service.	20 years	3% for 240 months
President of Pensions Appeal Tribunal	Drawn up administratively - not statutory	As above.	20 years	3% for 240 months
Members of Foreign Compensation Commission	Foreign Compensation Act 1962, S3	Immediate pension and lump sum after 5 years; or if offered reappointment on a part-time basis; or if no longer required.	20 years	As above for 240 months
Law Commissions	Law Commission Act 1965 2 Schemes	1. Amended PCSPS. Pension and lump sum after 2½ years and age 60. 2. Pension <u>only</u> payable at age 60, with at least 5 years' service.	40 years 17 years	1½% 2% for 1st 96 months 4% for next 108mths

JUDICIAL PENSIONS

OFFICE	STATUTORY BASIS	BASIC BENEFITS	MAXIMUM PENSION SPAN	OPTIONAL WIDOWS PENSION CONTRIBUTION
Chairman of Monopolies and Mergers Commission	Monopolies and Merger Act 1965	Immediate pension and lump sum after 5 years, providing he is age 65; or on grounds of ill-health.	15 years	4% for 180 months
Presidents and Chairmen ^e VAT Tribunal	Finance Act 1972 Admin Justice Acts 1950 and 1973	Immediate pension and lump sum after 15 years providing that he is age 65; or on medical grounds.	15 years	4% for 180 months.

JUDICIAL PENSIONS

OFFICE	STATUTORY BASIS	BASIC BENEFITS	MAXIMUM PENSION SPAN	OPTIONAL WIDOW'S PENSION CONTRIBUTION
Supreme Court Judge	Judicial Pensions Act 1981	As for Supreme Court in England.	15 years	4% of salary for 180 months.
County Court Judges		As for Circuit Judges in England.	15 years	4% of salary for 180 months.
Resident Magistrates		As for Stipendiary Magistrates in England	20 years	3% of salary for 240 months
President and Members Lands Tribunal		As for Members of Lands Tribunal in England.	20 years	3% of salary for 240 months.
Supreme Court Masters, Circuit Registrars and Statutory Officers	Judicature Act 1978	Same as PCSPS but with enhanced reckoning of one-third for service since 18 April 1979.	30 years	
President and Chairman of Industrial Tribunals and Social Security Commissioners		As for a Circuit Judge in England.	15 years	4% of salary for 180 months.

SCOTLAND

APPENDIX I (Contd)

JUDICIAL PENSIONS

OFFICE	STATUTORY BASIS	BASIC BENEFITS	MAXIMUM PENSION SPAN	OPTIONAL WIDOWS PENSION CONTRIBUTION
Judge of Court of Session	Judicial Pensions Act 1981	As for Supreme Court in England	15 years	4% of salary for 180 months.
Sheriffs			15 years	4% of salary for 180 months
Chairman, Scottish Lands Court and President, Lands Tribunal in Scotland		As for Court of Session Judges.	15 years	4% of salary for 180 months
Member, Lands Tribunal in Scotland		In accordance with PCSPS	40 years	1½% (compulsory)
President, Industrial Tribunals; Regional Chairman, Industrial Tribunals; Chairman, Industrial Tribunals Social Security Commissioners		As for a Circuit Judge in England	15 years	4% of salary for 180 months.

ARMED FORCES PENSION SCHEMESALIENT FEATURES OF CURRENT ARMED FORCES PENSION SCHEMEBasic Provisions

1. The Armed Forces Pension Scheme (AFPS) is a non-contributory scheme. All members of the regular forces, from the most junior to the most senior, both male and female, are members from entry except officers on gratuity earning short career commissions and a small number of Servicemen on special types of engagement. The Review Body on Armed Forces Pay, in establishing pay rates to recommend to the Government, reduces comparator pay by 11 per cent to take full account of the greater value of AFPS benefits over comparator pension schemes.
2. The statutory basis of the AFPS is the Naval and Marine Pay and Pensions Act 1865, the Pensions and Yeomanry Pay Act 1884 and the Royal Air Force (Constitution) Act 1917. These provide that for the Royal Navy, Army and RAF revised rates and conditions of award should be promulgated respectively by Order in Council, Royal Warrant and Queen's Order.
3. The AFPS, despite its disparate legislative base, provides a single and coherent system of awarding pensions that extends to all scheme members. Pensions are awarded under a pensions code that sets out scales of pension that, like pay scales, are immediately effective and continue to govern awarding until superseded. In recent years codes have run from 1 April to 31 March in the following year.

Calculation of Awards

4. The scales provide for the award of an immediate pension to officers who have completed at least 16 years service from age 21

and to other ranks who have completed at least 22 years from age 18. There are also separate provisions covering death, invaliding, etc. The maximum pension is earned after 34 years service for officers and 37 years for other ranks. Thus retirement on full pension is possible from age 55 onwards.

5. There is no single percentage rate of accrual in the AFPS but the scales are established by a formula which sets the lower and upper points by reference to fixed percentages of the representative rate of pay. Progression between the points is linear. For example, for officers the 16 year point is 28.5 per cent of the representative rate of pay and the 34 year point 48.5 per cent of that rate instead of 50 per cent. For both officers and other ranks the full pension calculation is based on 97 per cent of the pay rate. This adjustment is based on the assumption of an average pay increase over the long term of 6 per cent annually. There is thus a form of averaging implicit in the current AFPS system.

Pensions Increase Arrangements

6. The same annual pensions increases are applied to Armed Forces pensions as to other public service pensions. However, the method of applying the first pensions increase after retirement is unique to the Armed Forces and was specifically introduced to harmonise with the code system. The pensions of all who retire within the same code year receive an identical first pensions increase of 1.75 twelfths of the full annual increase. This is applied from the November pensions increase date for pensions which began before that date; and from the date of the pension's award for pensions which begin subsequently but before the end of the code year on 31 March.



10 DOWNING STREET

THE PRIME MINISTER

22 February, 1984

de RM

c. Hunt
no
co.

Dear Lord Chief Justice,

Thank you for your letter of 14 February and for sending me a copy of the memorandum which you and Heads of Division submitted to the Sub-Committee of the TSRB which is considering relativities within the Judicial Salary Structure. My colleagues and I fully recognise the need to maintain the quality of the judiciary and I have, therefore, noted the points made in your letter. I can assure you they will be taken into account when Ministers come to consider the recommendations of the TSRB.

Yours sincerely
Margaret Thatcher

The Right Honourable the Lord Chief
Justice of England

✓

PRIME MINISTER

I have cleared this reply with the Lord Chancellor's Office, Treasury and Cabinet Office. The universal response was that the quality of argument fell some way short of what could be expected from our finest legal minds. In particular, the evidence on recruitment relates to 1975-82, thereby taking no account of the large increases in salary granted in the last round. It must in any case be doubtful whether the salaries of judges could or should match the earnings of those at the very top of the barristers' profession. Furthermore quite ^{ex}cessive importance is attached to small movements in the ratio of the salaries of High Court ^{and} Circuit judges. Finally, the argument that High Court judges should be paid more when some of their workload has been transferred to the Circuit Bench seems pretty unconvincing.

Address as "Dear Lord Chief Justice".

AT

21 February, 1984



10 DOWNING STREET

Andrew

Margaret O'Mara phoned
on Friday night about
letter to Hd Chief
Justice re Judicial
Salaries.

Their only comment
is that perhaps the
last 10 words of the
last sentence should
be deleted, as they
may suggest something
will be done in 84.

Nicky
17/2

CONFIDENTIAL



huc

kw

Rt

10 DOWNING STREET

From the Private Secretary

15 February, 1984

The Prime Minister has received the attached letter from the Lord Chief Justice, together with a copy of the memorandum which he and Heads of Divisions submitted to the Sub-Committee of the TSRB which is considering relativities within the Judicial Salary Structure. The letter does not appear to have been copied to the Lord Chancellor. I attach a draft of a letter which the Prime Minister might send. If you have any comments on this or any observations to make before I put these papers to the Prime Minister I would be interested to receive them. Could these please reach me by the end of the week.

I am copying this letter to John Kerr (HM Treasury) and Peter Gregson (Cabinet Office).

(A. Turnbull)

R. Stoate, Esq.,
Lord Chancellor's Office

CONFIDENTIAL

kw

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO THE LORD CHIEF JUSTICE

Thank you for your letter of 14 February and for sending me a copy of the memorandum which you and Heads of Division submitted to the Sub-Committee of the TSRB which is considering relativities within the Judicial Salary Structure. I and ^{and I} My colleagues fully recognise the need to maintain the quality of the judiciary and I have, therefore, noted the points ^{made in your letter.} you have made ~~about recruitment.~~ I can assure you ^{they} ~~that these~~ ~~points~~ will be ~~fully~~ taken into account when Ministers come to consider the recommendations of the TSRB.



ROYAL COURTS OF JUSTICE,

LONDON, WC2A 2LL

14 February 1984

My dear Prime Minister,

JUDICIAL SALARIES

Two years ago I felt impelled to write to you with regard to the levels of judicial salaries, which I and other Heads of Divisions were convinced were so low as to prejudice recruitment of the best to the High Court Bench. (My letter of 2 April 1982 and your reply of 7 April 1982 refer.)

The increases which followed and your observations in the House when announcing the increases gave us all great comfort, because they seemed to indicate not only that progress had begun but also that it would be continued.

I write again now, because my concern about recruitment has been confirmed by figures released by the Lord Chancellor's Department. These show that in the period from 1975 to November 1982 no less than 20% of those offered High Court appointments either refused or requested postponements. There were in the period sixty-seven appointments and fourteen refusals or requests for postponements. It therefore follows that of the sixty-seven appointed fourteen were not first choices. I am sure that you will, as I do, regard this as being intolerable.

The increases recommended last year were disappointing both in their amount and the fact that they came in two instalments neither of which was back-dated. This was no doubt due to a feeling that the case for favourable financial treatment of the higher judiciary was insufficient to outweigh political considerations. However, now that figures have for the first time been made available, I venture to suggest that the case for bold action to secure the highest quality judiciary for the future is unanswerable. That you will yourself regard the fact that fourteen out of sixty-seven appointments were second choices as unacceptable I do not for one moment doubt. I venture to hope that the Government as a whole will not be so overborne by short term financial considerations and fear of criticism that they will take a different view.

In order that you may be apprised of the current views of all Heads of Divisions I enclose a copy of a joint memorandum dated 7 December 1983 which we submitted to a sub-committee of the T.S.R.B. which is considering relativities within the Judicial Salary structure. I draw particular attention to paragraphs 5, 8 and 9.

Yours sincerely,

The Rt Hon Mrs Margaret Thatcher PC MP
10 Downing Street
LONDON SW1

Geoffrey Lane

*44
PPS*

*2.4.82
on Part 4*



ROYAL COURTS OF JUSTICE
STRAND, LONDON, WC2A 2LL

7 December 1983

JOINT MEMORANDUM

From:

The Lord Chief Justice
The Master of the Rolls
The President
The Vice Chancellor

To:

Sir Thomas Skyrme's Sub
Committee on relativities
within the Judicial Salary
Structure.

1. On all previous occasions the relationship between the High Court Judge and the Circuit Judge has been accepted as being the key relationship within the judicial structure. It has also been repeatedly stated that the salaries in the two posts are the bench marks in the creation of the structure. Finally, it was stated in paragraph 19 of Sir George Coldstream's Sub-Committee's Report in 1981 (Appendix D to Report No.16) that "it is essential that the weight and importance of the work of the High Court Judge should be adequately recognized by the position of the appointment in the structure". That sub-committee recommended a substantial improvement in the position of the High Court Judge relative to all groups below. This was, it appears, due to some extent to evidence that recruitment to the High Court Bench had become difficult, partly because the position of the appointment in the structure had become depressed.

2. It is still true that the salaries in the two appointments must be the bench marks in any salary structure, that the relationship between them is the key relationship, and that the difference between the two appointments must be adequately recognized. The differential should, however, be the product of the salaries for the two appointments rather than something which is arrived at independently and then used to arrive at such salaries. If the salaries initially thought to be appropriate produce a differential which does not adequately



recognize the importance of the position of the High Court Judge in the structure, this merely shows that one or other of the two benchmark salaries is wrong. Either the Circuit Judge's salary proposed is too high or the High Court Judge's salary is too low. The history of the matter suggests that the latter is normally if not invariably the case.

3. That history is of considerable interest. In setting it out, the differentials between the two salaries at various times will be stated by expressing the salary of the Circuit Judge as a percentage of the salary of the High Court Judge rather than in terms of a ratio.

At the time of Report No.6 (1974) the percentage in existence was 63.3. Lord Beeching's Advisory Group recommended 60% which would increase the differential, and the salaries recommended in Report No.6 to operate as from 1 January 1975 produced a figure of 61.9%. Those salaries were respectively £21,000 and £13,000. By January 1st 1978, however, the salaries in payment were respectively £18,883 and £13,208. Despite the recommendation for an increased differential in Report No.6 the differential had thus, without any recommendation, been markedly reduced: for the percentage had gone up to 69.9%.

Report No.10 contains in Appendix J the report of Sir George Coldstream's first Sub-Committee. It considered that a closer relationship than resulted from the recommendations in Report No.6 was appropriate as a result of the development of the work of the Circuit Bench, and recommended 66.2%. The salaries in fact recommended in Report No.10 produced 67%. This percentage was slightly raised by the recommendation in Reports No.11 and 14, but in 1981 in Report No.16 came the recommendation by the Sub-Committee for an increase in the differential by lowering the percentage to 62.5%. This recommendation was not then acted upon by the T.S.R.B., who restricted themselves to urging the Government to implement fully the recommendations which had been made in report No.14 which had produced a percentage figure of 68.5.

In 1982, however, Report No.18 recommended salaries which produced a differential of 64.4% as against the 62.5% recommended by Sir George Coldstream's Sub-Committee. This was maintained in the Report No.19 recommendations.

4. From the foregoing it can be seen:

- (i) That despite a recommendation for an increased differential in 1974 the differential had been very substantially cut by 1978.
- (ii) That the differential was then slightly increased, but not by as much as recommended by the Sub-Committee.



(iii) That in 1981 a substantial increase in the differential was recommended by the Sub-Committee, but the recommendation was only partially implemented in 1982.

(iv) That the differential is still less than recommended by the Sub-Committee.

5. During the period from 1975 - 1980 figures supplied by the Lord Chancellor's Department show that there were six refusals to accept High Court Appointment and seven requests to postpone such appointment. During the same period there were forty-one appointments to the High Court Bench. Just under a third must therefore be taken to have been second choices.

These facts have not previously been made known to T.S.R.B. They are significant. It is not known to what extent refusals and requests for postponement were due to an inadequate differential, to the inadequacy of the salary as such apart from the differential, or to other factors, but we have no doubt that the inadequacy of the salary and the differentials, taken together, will have accounted for almost all of them.

These figures reveal a situation which appears to us to indicate that, by reason of the inadequacy of both the salaries and the differentials, the quality of the judiciary and thus the interests of the public have been severely prejudiced. Salaries and differentials should be such as to ensure that, with rare exceptions, the best qualified accept appointment to the High Court Bench when offered. When, over a period of six years, refusals and requests for delays amount to nearly a third of the appointments made in the period, there must surely be a cause for grave concern and a necessity for immediate and vigorous action.

It is true that in the period 1981 to date there has been only one request for postponement and no refusals, but this may well be because in 1982 real progress was made towards bringing salaries up to the required level. This inspired a real (but short-lived) hope that progress would continue. Even, however, if the whole period is taken, to have 14 refusals or postponements in relation to 67 appointments represents a refusal rate of 20%. Not long ago this would have been unthinkable, and it should be made unthinkable again.

We are fully aware that the task of T.S.R.B. has been very difficult, for their recommendations have all too frequently not been implemented; but even if they had been, neither the salaries nor the differentials would have been adequate to achieve the desired result.



We would urge that, whatever the lack of prospect of implementation by the Government, the Sub-Committee should recommend that the differential originally recommended by Lord Beeching's Advisory Group be restored in full and that the T.S.R.B. recommend that the High Court Judge's salary should be not less than the figure of £50,000 recommended by all Heads of Divisions as appropriate in April 1981, updated to take account of inflation since then. Even if the Government do not accept this, the T.S.R.B. and the Sub-Committee will then at least have done their best to secure a top quality judiciary for the future.

6. We are conscious that there may well be pressure from the Circuit Judges to improve their position in relation to the High Court Judges on the ground that they are doing more work previously done only by the High Court Judges. This is quite true, but it is not a ground for reducing the differential. The more that the lighter High Court work is transferred to the Circuit Bench, the greater is the burden on the High Court Judges; for that work, which provided some relief from the burden of the heavier and more difficult cases, is taken from them, and they are left with a wholly unrelieved burden. The transfer is a good ground for increasing the salaries in both appointments. It is not a ground for interfering with the differentials.

7. Apart from the key relationship, we have nothing to say save that (i) we would not favour any differential among the High Court Judges; (ii) the differential between the High Court Judge and the Lord Justice should, we think, be increased, if necessary at the expense of a reduction in the differential between the Lord Justice and the Lord of Appeal. The work of the Court of Appeal is very burdensome, occupying as it does the full working week and the necessity for many reserved judgments to be produced in a short time. The House of Lords, by contrast, work a shorter week and are under much less pressure. Some differential should no doubt be maintained, if only for cosmetic purposes; but if money is short it should be spent on improving the position of the Lord Justices.

In paragraph 6 of our memorandum dated the 17 October 1980 we expressed the view that the total differential between High Court Judges and Lords of Appeal should be divided between Lords Justices and Lords of Appeal in the ratio of 4 : 1. As from 1st January 1984 the salaries in payment will be:

Lord of Appeal	£55,000
Lord Justice	£52,000
High Court Judge	£48,000.



If the above ratio were applied the Lord Justices' salary would be increased to £53,000. We adhere to the view that such an adjustment would more appropriately reflect the differences in work-load, responsibility etc. between the three appointments.

8. We conclude, first, by giving some figures to demonstrate how the position of the Higher judiciary has been allowed to decline, going back, first, no further than 1940. At that time the High Court Judges' salary was £5,000 gross. The equivalent in 1981 would have been £60,450 approx. The salary then in payment was £42,500. If, of course, one goes further back, the difference is even greater. To equal the £5,000 paid in 1914 would have required a salary of £132,850 in 1981. By reason of the increase in taxation much, much more would, of course, have been required to provide the same net equivalent. No one suggests that an attempt should be made fully to restore the position, but such figures should be borne in mind when an outcry is made, as it surely will be, when the salaries necessary to safeguard the future are recommended and put into effect.

9. Finally, we would stress that, having made a start on the road back to a proper salary two years ago, the subsequent treatment has been such as to render the next step in the right direction more difficult.

Two things are now vital. The first is that realistic recommendations are made this year. Now that it is known what is the extent of the refusals it can no longer be said, with regard to recruitment, that the position is "finely balanced" (Report No.16 para. 12) or to submit merely that "there is a risk of a serious problem developing in recruiting Judges of the necessary quality" (Report No.18 para. 69). The problem has already developed.

The second vital matter is that recommendations for 1984 should be in the Government's hands by February. The principle of back-dating increases, in operation until this year, has now been abandoned. It is therefore essential that this report should be in the hands of the Government sufficiently far in advance of 1st April for it to be implemented by that date.

MASTER

cc ECON POL: TSRB: PES.



10 DOWNING STREET

From the Private Secretary

9 February 1984

Dear John

TSRB PENSIONS

The Prime Minister held a meeting today to discuss the pension consequences of the Government's decisions on the 1983 pay award to the groups covered by the Top Salaries Review Body. Present were the Lord Chancellor, the Chancellor of the Exchequer, the Lord Privy Seal, the Secretaries of State for Defence and Social Services, Lord Gowrie and Sir Robert Armstrong. The issues were set out in the Chancellor's letter to the Secretary of State for Defence of 21 November. In the absence of special action all members of the TSRB groups would receive smaller pensions than they would have done if the rates payable from 1 January 1984 had been payable from 1 April 1983. It was noted that there were different effects on the different groups, which were particularly severe for those retiring between 1 April 1983 and 1 August 1983. In some cases, those retiring later might receive smaller pensions than those who had retired earlier.

The meeting considered whether action should be taken to mitigate such effects. In correspondence the choice had been narrowed down to Option 2 in the Chancellor's paper, which would backdate the 1 August 1983 increase to 1 April 1983 for pensions purposes; and Option 5 which would relate pensions strictly to actual pay.

The Chancellor argued that it was wrong to adopt backdating for the two groups most seriously affected, judges and senior officers. Both groups received adequate pensions so there could be no question of hardship. The danger of making a concession would be that the settlement agreed for doctors and dentists could be reopened, which would be very expensive.

The Secretary of State for Social Services agreed. He argued that, with some difficulty, the Government had eliminated the practice of basing pensions on notional pay. This was a practice which was not possible in the private sector and it would be wrong to revert to it now. The Lord Privy Seal also agreed that no concession should be made as this could lead to the settlements made with other groups being reopened which would highlight the

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disadvantage of MPs. All three, therefore, favoured Option 5.

The Lord Chancellor said that he recognised the reasons of public policy which had led to the staging of the award. He would not have been able to agree to this if he had known that members of the judiciary would be so seriously disadvantaged. This was not simply a case of delaying payment but represented a lower pension for the rest of their lives. He was particularly concerned about the position of some judges who had retired voluntarily but who, if they had known what the pension treatment was going to be, would have been able to delay their retirement. His advice was that Option 2 would put judges on the same basis as that already being implemented for doctors and dentists. He therefore favoured Option 2.

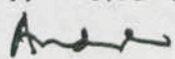
The Secretary of State for Defence also favoured Option 2. Thirty five senior officers were substantially disadvantaged and could receive pensions no higher than those of their immediate subordinates. He too argued that backdating would do no more than put these officers on a par with doctors and dentists.

The Prime Minister said that her initial reaction had been that judges and senior officers were being treated unfairly, but on further examination it appeared to her that the apparent anomaly arose from the method for determining final salary for pensions purposes for these groups. Judges and senior officers had their pensionable salary based on the rate of pay on the last day of service, a system much more generous than that applied to the Civil Service which took the average salary over the last twelve months of service. A judge retiring on 31 July, though much worse off than a colleague retiring a day later, would be treated no worse than a Permanent Secretary retiring on the same day.

Summing up the discussion, the Prime Minister said the meeting was not in a position to take a decision. If a concession were made for judges and senior officers, ways would have to be found of minimising the repercussions. Changes ought to be made to the basis of which final salary was determined for these groups. The meeting agreed that there was a strong case in principle for putting all groups on to the same basis. The meeting could not resolve this immediately as it needed more information on what was involved in making such changes.

 Sir Robert Armstrong was asked to prepare a factual paper setting out the pension arrangements for the different groups including salaries, the rate of accrual, the determination of final salary and pensions payable. It would also examine what was involved in bringing the method of determining final salary of judges and senior officers into line with other TSRB groups. When this paper was available the Prime Minister would reconvene a meeting of the Ministers present.

I am copying this letter to Richard Stoate (Lord Chancellor's Office), David Heyhoe (Lord Privy Seal's Office), Richard Mottram (Ministry of Defence), Steve Godber (Department of Health and Social Security), Mary Brown (Lord Gowrie's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely


(Andrew Turnbull)

John Kerr, Esq.,
 HM Treasury

PERSONAL



10 DOWNING STREET

From the Principal Private Secretary

28 January, 1984.

Many thanks for your letter of 25 January. I had not meant to put you to the trouble of writing to me about the press reports, but it is interesting to know the background, and I enjoyed reading your account of your appearance before the TSRB. It does not sound all that different from appearances before the Treasury Select Committee!

E. P. KEMP

E.P. Kemp, Esq.,
HM Treasury.



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PERSONAL

F E R Butler Esq
10 Downing Street
London SW1

25 January 1984

D. Reuben

TSRB

You mentioned to me this morning the Press reports about the claim for "£6,000 rise" for senior Civil Servants - I imagine you had in mind the attached piece from yesterday's Daily Mail.

We had made some enquiries informally. What seems to have happened is that the reporter got hold of a copy of the evidence which the CCSU had put to the TSRB in connection with their current review, and, very likely with the help of somebody from the CCSU or the FDA, tried to put some numbers on some of the CCSU arguments. The CCSU paper itself does not, as the report says, mention any specific figures. But it talks about a "shortfall" in the TSRB recommended increase for last year (which amounted to 6.9 per cent, against a CCSU claim that salary movements in the private sector over the relevant period were about 11 per cent) and it could be that the Daily Mail took this 4 per cent "shortfall", added to it say 6 per cent for private sector movements between April 1983 and April 1984, and came to about 10 per cent - though even here one has to round pretty generously to arrive at a "£6,000 rise"; 10 per cent on even the highest TSRB pay rates is only £4,800. The further reference to £20,000, of course, results from making play with salaries of special appointments such as Monty Alfred and the Head of the new Audit Commission (and possibly Press reports about the possible pay of the new Griffiths post in the NHS) which with some generous rounding upwards could just lead the author to a figure of £20,000.

As I told you, faced with the flat question I had to say that by our criteria there was not a great case for any increase at all. You may like to glance at the attached internal record I prepared after the hearing.

E P Kemp

E P KEMP

PERSONAL

Daily Mail, Tuesday, January 24, 1984

Men of Whitehall 'need £6,000 rise to end braindrain₂

By Industrial Editor

MASSIVE pay rises are needed to stop the brain drain of top Whitehall mandarins to private industry boardrooms, say the Civil Service unions.

In a report to the Top Salaries Review Body they set no figures.

But increases up to £6,000 a year would be needed to meet their claim for an award that matches the private sector and recovers the shortfall in last year's pay round.

In some cases, it would take rises of £20,000 a year to match the salaries of outsiders recruited to top posts previously held by Civil Servants.

Increases of this sort would soar far beyond Mrs Thatcher's 3 per cent public sector limit and trigger a major political row.

But the Council of Civil Service Unions argue that poor pay compared with the private sector is causing growing problems of recruiting and keeping high-calibre Civil Servants.

This year, only 47 administration trainees were accepted to fill 60 vacancies. And in 1982, 173 principal, senior principal and assistant secretaries quit voluntarily.

The inadequacy of top salaries has meant diminished career prospects for the high-flyers.

This has been reflected in the Government's attempts to recruit outsiders to top Whitehall jobs.

3/1

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FROM: E P KEMP
19 January 1984

MINISTER OF STATE

cc PS/Chancellor
Sir Peter Middleton
Mr Bailey
Mr Anson
Mr Pearce
Mr F K Jones
Mr K T King
Mr St Clair
Miss Sinclair
Mr Carter
Mr Ridley

Mr Le Cheminant - MPO

TSRB

Mr Carter and I duly appeared before the TSRB this morning. The proceedings were by no means dull. I will not try to recapitulate everything that was raised, but you may be interested in the following main points :-

- a. Some shift in stance in the Government's evidence was detected by some members of the TSRB towards more emphasis on recruitment, retention etc than previously. I said that the Government did take the view that recruitment, retention etc were extremely important factors, and that while "comparability" and what was happening elsewhere had a part to play it should be a less important part than it sometimes played previously. I made the point that, as a newcomer to this scene, I thought that the TSRB had perhaps paid too much attention to movements elsewhere in the past.
- b. There were some rather confused questioning which did not appear to us to distinguish very clearly between "fairness" and other pay factors. We replied that in the long-run no doubt "fairness" was a material factor, if only because pay movements which were perceived over too long a period as "unfair" would have their effects on recruitment and retention and motivation. But this was not necessarily the case in the short-run.

- c. There was questioning about the role of the 3 per cent pay factor. I said that this was not a norm or necessary limit so far as individual settlements go. But it was an important and meaningful indication of what the Government thought could be afforded.
- d. Some play was made with recruitment at the AT level. We explained that if there was a problem here, it was not clear that operating on the pay of TSRB groups was the right answer - a more direct answer would be to operate directly on AT pay. In any case it was not necessarily so that pay was the problem.
- e. On behalf of the lawyers there was reference to the remarks in our evidence about circuit judges and the increased difficulty of getting them; did this mean that we would not object to increased pay for these people? I replied that it of course fitted with our general thesis about recruitment and retention that in these circumstances improved pay might be the answer; but only, of course, if it could be shown that the difficulty of recruitment was due to pay and not to other factors. More generally, throughout the hearing, we sought to emphasise that pay was only one element of the employment situation so far as civil servants (and indeed anyone else) goes, and other factors could be very important.
- f. There was questioning about the reduction in the size of the Civil Service with particular reference to the higher Civil Service, and how this had come about. I explained that following Wardale there was a problem about reducing numbers of individuals in line with the reduction of posts, but that this had been wholly brought about by natural wastage together with the operation of the various early retirement and other schemes. Where people had to be leant on rather harder to go, the financial compensations were pretty generous. In answer to a question I confirmed that it was difficult, in Civil Service terms, to get rid of somebody on grounds of limited efficiency, whether absolute or relative, if he refused to go despite financial blandishment.

- g. There was only incidental questioning about merit pay and the like. I said that these were matters the Government had under review.
- h. There were questions about our position on the date for pension purposes of the 1983-84 pay increases. I said although there were precedents, there never had been any rule that pay should automatically be backdated for pension purposes. For the future it was certain that the Government would want to try to establish the general rule - albeit departed from from time to time - that for pension purposes amounts in payment would count, and there would be no backdating. But I said that it was true that the position so far 1983-84 went was under review, having regard to the claim that there had been a change in policy sprung on people unexpectedly.
- i. There was some rather curious questioning about the status of our evidence; was it merely a view of officials or did it represent Ministers' view? I said that it represented the view of Treasury Ministers. Going on from that there was questioning about whether it represented a view of Treasury Ministers qua those responsible for the macro-economy etc, or whether it was their view qua employer responsible for pay and some other ex-CSD matters. I said that while from time to time we had to recognise there could be a tension between these two roles, in the present case the evidence represented the view of Ministers wearing both hats.
- j. There was some question whether the development of the FMI, coupled with the "cull" of posts in the Open Structure, meant that the job weight of remaining posts in the Open Structure had increased. I replied that job weight in the Open Structure was always fairly heavy. But the particular developments referred to did not necessarily mean it had increased. Part of the "cull" came from the cutting out of work done. Part of the thrust of the FMI was to push decision-making etc down the line. It may be that these factors changed the quality of some of the work in the Open Structure, but we saw no reason to agree that they increased its weight.

k. Finally, we were asked (in fact by Sir Robin Ibbs) whether having regard to the line we had been taking both orally and in writing, we saw any justification for any increase in the pay of TSRB groups in this review. I replied by saying I had no instructions on this matter, and that my view would be a wholly personal one. On that basis, my view had to be that one could not see much case, against the criteria we had advanced, for any increase in the pay of these groups this year. I said that such a move would cause discontent and obviously could not be sustained over any period of time without adverse effects on recruitment, retention, quality and motivation. But in a shrinking Civil Service for instance, where we were already looking for improved measures to encourage less good people to go, the case for any increase (and I meant in money terms, not real terms - a point drawn out in questioning) was not at all strong.

2. I am not at all clear what effect, if any, our evidence will have. My impression, however, is that we may have administered a useful antidote to some of the things the CCSU (who appeared just before us) may have been saying both in some particular and in some general areas; and that my last remark about nil increases, while perhaps it will not be taken too literally by the Body, may have been effective in representing a contrary, even if (to their mind) extreme, view contrasting with the ideas of the CCSU who may well have been bidding for 10 per cent or thereabouts.



E P KEMP

MRS. RYDER

Rearranged by
after cabinet
26/1/84.

CR
4/1

TSRB Meeting: 12 January

Sadly, the one person you were unable to contact before Christmas (the Lord Chancellor) cannot manage the new date because he will be in New Zealand. I have spoken to Andrew Turnbull about this. He agrees that his presence is essential and that the meeting will therefore have to be moved to the earliest possible date when he is back. Could you very kindly arrange this please.

Duty Clerk
H. DB

30 December, 1983.



TSRB HU
FILE

10 DOWNING STREET

B.F. for wry.

From the Private Secretary

23 December 1983

Dear Diary Secretary,

There is to be a further meeting to discuss TSRB at 12 noon on Thursday 12 January. This follows a meeting of Cabinet.

Yours sincerely,

Caroline Ryder

The Diary Secretary,
Lord Chancellor's Office.

[Handwritten signature]



10 DOWNING STREET

From the Private Secretary

Prime Minister

You went through these papers at the weekend. The only new papers are the notes from RTA and Policy Unit.

You might, however, like to look at options 2 and 5 in the paper attached to the Chancellor's letter, - Flag A; and the Annex which quantifies the "losses" suffered by particular groups -
Flag B.

AT

20/12

CONFIDENTIAL

Ref. A083/3527

PRIME MINISTER

TSRB Pensions

I have very little to add to Mr Gregson's brief of 13 December for your meeting on 21 December.

2. I would only add, in relation to paragraph 10 of his brief, that I am not aware of any case in which an aggrieved pensioner could argue that public faith had been pledged. I am aware, however, of one or two cases of people who, between April and August, retired prematurely because their jobs have disappeared as a result of the Open Structure review, and who will feel a sense of grievance if, in addition to being obliged to retire, find their pensions less high than they would have been if the Government's decisions on the TSRB recommendations had been implemented from 1 April rather than from 1 August.

RA

ROBERT ARMSTRONG

20 December 1983

CONFIDENTIAL

CONFIDENTIAL

19 December 1983

Prime Minister ①

R TURNBULL

TSRB PENSIONS

1. The present system for calculating judges' and armed forces pensions is silly. It will always give rise to anomalies. There is always a good day to retire for a judge or a brigadier. Thus, if Option 2 were adopted (backdating the 1 August 1983 increases to 1 April 1983 for pensions purposes) those who retired on 31 March would be poorly treated, relative to those who retired on 1 April 1983.

Therefore, Option 2 would be just as "unfair" as Option 5 (the status quo).

2. Any change from Option 5 will bring demands from MPs, doctors and dentists, reopening wounds which were healing.

3. Therefore we must stick to Option 5 (the status quo).

4. To avoid future rows of this kind, the judges' and armed forces pensions should be calculated on the same average-last-year-salary basis as the higher Civil Service. And work should immediately be set in hand to this end.

Pal.

PP FERDINAND MOUNT

CONFIDENTIAL



CONFIDENTIAL

P.01177

PRIME MINISTER

TSRB PENSIONS

BACKGROUND

Wednesday 21

You are holding a meeting on ~~19~~ December with the Ministers concerned to discuss the pension consequences of the Government's decisions on the 1983 pay award to the groups covered by the Top Salaries Review Body (TSRB): the judiciary, senior officers of the Armed Forces, and senior civil servants. The conclusions of the meeting will also affect other public officers whose pensions are linked to those of the civil service, in particular the Clerks of the two Houses of Parliament.

FLAG A
FLAG B
FLAG C
FLAG D
FLAG E

2. The issues are set out in the letters of 21 November from the Chancellor of the Exchequer, 30 November from the Lord Chancellor, and 2 December from the Secretary of State for Defence. The Lord Privy Seal (letter of 24 November) and the Secretary of State for Social Services (letter of 2 December) have also commented.

3. You will recall that the following decisions were taken on the recommendations of the pay review bodies for 1983:

(i) The recommendations of the Armed Forces Pay Review Body were accepted in full, and put into effect from 1 April 1983.

(ii) The difference between the rates recommended by the Doctors and Dentists Review Body for 1 April 1982 and 1 April 1983 was awarded from 1 April 1983; the amount by which the 1982 recommendations were reduced was awarded from 1 January 1984.

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(iii) The difference between the rates recommended by the TSRB for 1 April 1982 and 1 April 1983 was awarded from 1 August 1983; the amount by which the 1982 recommendations were reduced was awarded from 1 January 1984.

(iv) Members of the House of Commons voted themselves a complicated pay settlement over the period 1983 to 1987.

4. The pensions of the TSRB groups are all related to final salary, though in different ways:

(i) Armed Forces pensions are promulgated in Prerogative Instruments which lay down pension rates for all officers of a given rank retiring within a stated period (which usually runs from 1 April to the following 31 March); the rates of pension are normally based on the salary current in that period.

(ii) Pensions of the judiciary are based on the salary on the last day of service.

(iii) Pensions of the higher civil service are based on the average salary over the last 12 months of service.

5. Pensions are also affected by uprating, ie "pensions increase". In general, public service pensions are uprated annually in line with State retirement pensions; pensioners who have been retired for less than one year receive 1/12th of the uprating for each month for which they have been retired. The Armed Forces system, however, is rather different. All those of a given rank who retire under a particular year's pension code initially receive the same pension, which includes an amount for prospective pensions increase: under the 1982 code this was 1.6 per cent for those who retired after the November 1982 uprating and before 1 April 1983.

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6. It follows that in the absence of special action all members of the TSRB groups will receive smaller pensions than they would have done if the rates payable from 1 January 1984 had been payable from 1 April 1983; and that this applies particularly severely to those retiring between 1 April 1983 and 1 August 1983. Because pensions increase is related to the time of retirement, those retiring later receiving less than those retiring earlier, they may receive smaller pensions than some of those who retired before 1 April 1983. Because the pensions of the judiciary and members of the Armed Forces are either explicitly or in effect based on pay on the last day of service, the differences between those retiring at different dates are particularly marked. In the case of the Armed Forces there is the further difficulty that because the AFPRB award, implemented from 1 April 1983, effectively wiped out the salary differential between two-star officers and their immediate subordinates, two-star officers retiring before 1 August 1983 will receive no higher pension than those subordinates.

7. The note attached to the Chancellor of the Exchequer's letter of 21 November explains the problems in more detail and identifies 5 options for dealing with them. The Chancellor of the Exchequer favours 'Option 5' (taking no special action); he is supported by the Lord Privy Seal and the Secretary of State for Social Services. The Lord Chancellor and the Secretary of State for Defence favour 'Option 2' (deeming the 1 August increase to be effective for pension purposes from 1 April).

MAIN ISSUES

8. The main issue before the meeting is simply what, if any, special action should be taken to mitigate the effects of the phasing of the 1983 pay award on the pensions of the TSRB groups. It may be helpful to keep the following points before the meeting:

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(a) All those concerned are among the relatively better paid and pensioned members of the community. The case is not therefore being argued on hardship grounds. What is at stake is however not just forgoing a pay increase for a few months, but, for those who happened to retire during that period, a permanent reduction in income for the rest of their lives.

It has therefore been accepted on several occasions in the past that modification of pay awards, which may be necessary for short-term economic or political reasons, should not have permanent effects on pensions. The question is whether the Government wishes to follow this precedent on this particular occasion or whether it would be better on general policy grounds to get away from it altogether.

(b) Although, as explained in paragraph 6, there are some particular problems of relative treatment in the case of the judiciary and the Armed Forces, this is largely a consequence of the peculiar generosity of their pension arrangements. If pension is based on the rate of pay on the last day of service, that obviously makes the date of retirement more critical than if pension is based on average salary over the last 12 months of service. But it is inherently a more generous system than the averaging which applies in the civil service. For example, a judge retiring on 31 July 1983 is treated no worse than a Permanent Secretary retiring on the same day. The problem arises from the fact that a judge retiring on 1 August is treated so much better than his colleague who retired the day before, whereas a Permanent Secretary retiring on 1 August does not have this advantage over his colleague who retired the day before.

(c) It is more likely to aggravate than to solve the problem if different groups are treated with different degrees of


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generosity. Any solution should apply to all groups, unless differences are clearly based on differences in the existing pension schemes.

(d) The pensions increase problem - someone receiving a smaller pension than someone retiring earlier from an equivalent grade or rank - can in principle arise whenever pay increases take place at longer than yearly intervals, or prices rise faster than pay. It would be unwise to accept it as an anomaly which must necessarily be put right.

The Options

9. The main points about the five options are as follows:

Option 1 (backdating both the 1 August 1983 and the 1 January 1984 increases to 1 April 1983 for pensions purposes)

This is the most generous option. The main objection is that it would lead to claims from the doctors and dentists for similar treatment for their 1 January 1984 increases. Both the Lord Chancellor and the Secretary of State for Defence now acknowledge that this is not an acceptable option.

Option 2 (backdating only the 1 August 1983 increase to 1 April 1983 for pensions purposes)

This would satisfy the Lord Chancellor and the Secretary of State for Defence. It would be possible to resist any concessions to the doctors and dentists since the 1 January 1984 increase would not be affected. Indeed the doctors and dentists would still have an advantage over the TSRB grades since their first instalment was effective from 1 April for pay as well as for pensions purposes. If however the

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Government wishes to avoid basing pensions on notional salary on general policy grounds, this option is unacceptable.

Option 3 (as Option 2 but applied only to those retiring voluntarily during April to July 1983)

This is an unsatisfactory compromise which, while still open to objection on general policy grounds, fails to deal adequately with the problem. There is the additional objection that it would involve difficult decisions over the motive for a retirement, frequently a grey area.

Option 4 (continue the 1982 Armed Forces pension code for armed forces officers retiring during 1 April to 31 July 1983)

This avoids the anomaly that those retiring between 1 April 1983 and 1 August 1983 would actually have lower pensions than those who retired between November 1982 and 1 April 1983. The anomaly particularly affects senior armed forces officers because of the very special arrangements for dealing with pension uprating in the armed forces described in paragraph 5. It would give those retiring in April to July 1983 the same 1.6 per cent increase received by those retiring between November 1982 and April 1983. It also does something to restore the pensions differential between two-star officers and their subordinates retiring in the April-July period. The Secretary of State for Defence regards this option as an inadequate response (a 1.6 per cent pensions increase rather than around 7 per cent). The major objection is that it would do nothing for the judiciary and the senior civil servants and would probably thus increase their sense of grievance.

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Option 5 (no concession)

This has the advantage of sticking to the principle of relating pensions to actual pay. But the Government would have to be prepared to resist the pressures from the groups affected.

The choice is therefore primarily between Option 2 and Option 5. There appear to be no compromise solutions which are worthwhile and would not create more problems than they would solve.

Hard cases and "public faith"

10. The doctrine of "public faith" states that if someone is misled by a person in a position of authority and consequently embarks on a particular course of action, he should not be made to suffer for it. We understand, for example, that some public servants claim to have been given misleading information by their Establishment Officer and to have decided in consequence to retire on a particular date. Under any of the options such cases can be considered on their merits, and if compensatory action is justified it can be taken. But the doctrine does not apply to those who choose to assume that the Government will undertake a particular course of action, such as awarding a pay increase from one date rather than another. Although there may be other and wider reasons for taking a more generous line than Option 5, "public faith" is not among them.

Presentation and announcements

11. The Government's decisions will no doubt become public knowledge; it may well be desirable to make a low key announcement of them to ensure that they are best presented. If the meeting should favour Option 5, the public justification will presumably be that the Government sees no reason for departing from the normal practice of basing pension on actual pay. If Option 2 is preferred,

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it would probably be best to stress that the decision to give no pay increase at all from 1 April was unusual and could not have been easily anticipated by those concerned, and that the Government thinks it right, given the long term effects of the decision on pensions as opposed to pay, to treat the TSRB groups in the same way as the doctors and dentists. For reasons given earlier in this brief it would be undesirable to suggest that there is any question of public faith having been pledged.

Future work

12. The Chancellor of the Exchequer has proposed that there should be a review to see whether anything can be done to avoid similar problems in future. You will no doubt wish to encourage this. The difficulties have been aggravated in the case of the judiciary and the armed forces because, unlike the civil service, pension is not related to average salary over the previous twelve months. In the case of the armed forces the special arrangements for pension uprating have created further complications.

HANDLING

13. You will wish to invite the Chancellor of the Exchequer to open the discussion. The Lord Chancellor and the Secretary of State for Defence could then be asked to outline their views. The Lord Privy Seal and the Secretary of State for Social Services will be able to comment on possible repercussions among the groups for which they are responsible.

CONCLUSIONS

14. You will wish the meeting to reach conclusions on the following:



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(i) Whether and, if so, what special action should be taken to mitigate the effects on the pensions of all or any of the TSRB groups on the phasing of the 1983 pay award;

(ii) Whether the Government's decisions should be formally announced and, if so, how?

(iii) Future work.

Plg

P L GREGSON

13 December 1983

CONFIDENTIAL

PRIME MINISTER

TSRB PENSIONS

Although the paper attached to the Chancellor's letter of 21 November sets out 5 options these have effectively been reduced to option 2 and option 5 with Chancellor, Lord Privy Seal and Secretary of State for Social Services preferring option 2 and Lord Chancellor and Secretary of State for Defence option 5.

My initial reaction was that option 5 was indefensible. The differences in pension which are permanent and affect payments for the rest of the pensioner's life seemed too great to live with. For example, a judge retiring on 31 July could have a pension £2,750 less than a judge retiring a day later. For an army officer the maximum difference is £2,425.

Reading between the lines of Peter Gregson's brief, I suspect he started with the same reaction. But on further analysis I have come to the conclusion that the position is not as outrageous as it looks. Clearly there are large differences if judge is compared with judge, but if judge is compared with civil servant the injustice is by no means so marked.

The truth is that the injustice for judges is as much relative as absolute. A judge with the same past salary as a civil servant who retires on the same day will, under option 5, get a pension at least as good as the civil servant, and possibly better, since the judge's pension enjoys the more favourable last day basis. The last day will always be at least as high and possibly higher than the average of the previous 12 months which is the basis of the civil servant's pension.

If you took the view that the smaller differences between civil servants retiring on different dates could be worn, there does not seem to be a reason for additional concern about judges and armed forces officers. Their additional disadvantage would only be by reference to their colleagues.

The decision will to some extent be a political one, but if you were disposed to take a hard line the justification for this seems rather stronger than I had at first supposed.

Two lessons emerge from this:

- (i) there is a good case for reconsidering the basis of judges' and armed forces' pensions so that they use a system which is less vulnerable to the timing of pay increases;
- (ii) if the question of staging pay increases comes up again, no decisions should be taken until the pensions consequentials have been agreed.

AT

13 December 1983

CONFIDENTIAL

FILE



10 DOWNING STREET

From the Private Secretary

5 December 1983

TSRB Pensions

The Prime Minister has agreed that a meeting should be held under her chairmanship to try and reach agreement on the pension awards to be made for the different TSRB groups. This has been arranged for Monday 19 December at 1600 hours.

I am copying this letter to Richard Stoate (Lord Chancellor's Office), Nick Evans (Ministry of Defence), Steve Godber (Department of Health and Social Security), David Heyhoe (Lord Privy Seal's Office), and Richard Hatfield (Cabinet Office).

MR. A. TURNBULL

John Kerr Esq
HM Treasury.

CONFIDENTIAL



cc No

NRBPM

AT c/12

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

2 December 1983

Dear Nigel

TSRB PENSIONS

I, like John Biffen, would like to support the recommendation you made on this issue in your letter of 21 November to Michael Heseltine.

with AT

You referred in your letter to the line I took on the similar issue in relation to the doctors and dentists. Any of the concessions referred to in the note by officials would, in my view, be bound to re-open the question of notional back-dating for pensions purposes with the doctors and dentists, where the numbers involved are much larger. I therefore very much endorse the view that we must stand firm on option 5 and make no concession on the back-dating of this year's TSRB awards for the pensions of the senior Civil Servants concerned. As you have indicated, it is also desirable to break away from the previous practice of notional back-dating.

I am copying this letter to the Prime Minister, the Lord Chancellor, the Secretary of State for Defence, the Lord Privy Seal and Sir Robert Armstrong.

Yours

Norman Fowler

NORMAN FOWLER

Con Poi TSRB Pt 5

PRIME MINISTER

TSRB PENSIONS

You are aware that there is a strong disagreement between colleagues on TSRB pensions. This came up in September and officials were asked to look at the options. This they have now done and have come up with five approaches. The battle lines are drawn exactly as they were two months ago. The Chancellor favours sticking to the principle that pensions should be related to the salaries actually paid with no backdating. This was done for doctors and dentists and for MPs. The Lord Privy Seal supports this line, as it does not call into question the refusal to grant backdating to MPs.

Mr. Heseltine again argues that application to this principle to senior officers produces, as a result of a combination of timing and the method of calculating pensions, a very unfair outcome. (Pensions lower by £1,300 - £2,400 for those retiring between April and July 1983, compared with those retiring before March 1983).

The Lord Chancellor makes a similar plea in relation to judges. Both argue for the option under which 1 August 1983 salaries are deemed to apply from 1 April 1983 for pension purposes for all TSRB groups.

The parties to this dispute have requested that you chair a meeting to seek a resolution. We have earmarked a slot on Monday, 19 December.

There is no need for you to read the papers at this stage. We will put them to you over the weekend before the meeting, together with a Cabinet Office brief.

Agree such a meeting?

Yes no

AT

2 December 1983

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MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 4/4

2nd December 1983

TSRB PENSIONS

Thank you for your letter of 21st November with its enclosure. I have also seen the Lord Chancellor's letter of 30th November. Like him, I am not prepared to let the matter rest, for two reasons.

First, I spelt out in my letter of 20th September the manifest injustices as regards the pensions of senior officers of the Armed Forces which would flow if we do nothing, as you propose. I am all for maintaining our principles, but when the price of doing so is injustice, I pause. I understand why you wish to break with the practice of "deeming" future pay for pension purposes; but there are other considerations here to which I attach great importance, and I find the immediate price of total inflexibility on this much too high.

Second, I am unpersuaded that the positions taken on MPs and doctors and dentists demand that we stay precisely where we are as regards Service officers. As John Biffen acknowledges in his letter of 24th November, the position of MPs is different because the settlement covered five years, and those who retire early in that period are likely to do so because they judge that they will thereby improve their position. No one requires them to retire, unlike Service officers who have little choice. As for the doctors and dentists, they enjoyed a pay increase on 1st April, and their pensions

The Rt Hon Nigel Lawson MP

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will reflect this throughout the period April-July when Service officers will be particularly disadvantaged. I cannot believe that action to remove officers from this trough could provide the doctors and dentists with any sort of case.

I recognize your objectives, and do not wish to press for Option 1 in the paper by officials, which might well open the field for the doctors and dentists. But I must ask you to look again at Option 2 which, as the paper explains (and your letter tacitly accepts) could be defended on public faith grounds. Furthermore provided we make plain our position for the future, Option 2 need not reinforce the precedents for deeming future pay rates for pension purposes. It would not entirely solve the problem of putting certain Service officers in yet another pensions trough, but it would certainly remove the most glaring anomalies, particularly the loss of the 2-star to 1-star differential.

If on reflection you do not feel you can move from the position in your letter then I fully endorse the Lord Chancellor's suggestion that the Prime Minister (to whom I am copying this) might wish to call together those of us principally concerned to seek a resolution of the matter. I know that she has herself received representations on it from the Officers' Pension Society.

I am also copying this to the Lord Chancellor, Lord Privy Seal, Secretary of State for Social Services and Sir Robert Armstrong.

Yours ever

A handwritten signature in cursive script, appearing to read 'Michael Heseltine'.

Michael Heseltine

ECON VOL: TSRS PHS. 2B P 2

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HOUSE OF LORDS,
SW1A 0PW

30 November 1983

The Right Honourable the Chancellor
of the Exchequer

Dubs
2/12

My dear Nigel:

TSRB PENSIONS

with AT

I have seen your letter of 21 November to Michael Heseltine in which you effectively reject the proposal he put forward for remedying the injustice to those members of the Armed Forces and the Judiciary who retired this year before the full recommended TSRB rates for these groups came into payment.

I will not reiterate all the points made by Michael in his letter of 20 September; but they have lost none of their force in the past two months and I think we ignore at our peril the strong sense of injustice felt by those affected. They are not people who by their nature cause a great public outcry; but the lingering feeling that their loyalty to the state has been abused can have lasting and adverse effects on the morale of those who remain in service.

I have looked at the paper prepared by officials. I cannot myself see why option ii. should be so unacceptable. As I understand it that would put judges and senior officers in precisely the position enjoyed by doctors and dentists, in that their pensions would be based on the full TSRB award, less only the abatement for past years which is to be restored from 1.1.84. I really cannot accept that the arrangement which MPs have voted for themselves should be a consideration in this particular discussion. As John Biffen says in his letter of 24 November, their pay settlement was different.

While I might subscribe to your general proposition that pensions should follow pay I am not prepared to accept that it can be foisted on the public service without any consultation or debate between Ministers. The idea that there would be an element of notional backdating of pay for pension purposes has been an accepted and well-precedented practice over a number of years. By all means let us consider ending it; but let us have some

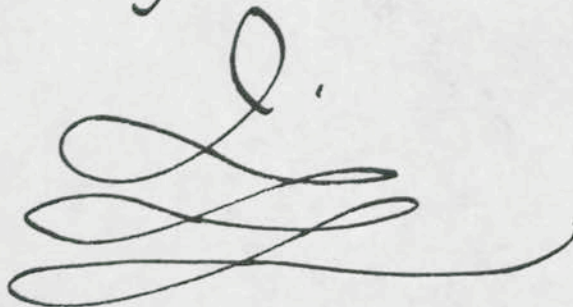
/regard to those ...

regard to those who in the absence of any indication to the contrary had come to expect it to continue and have in consequence been led to make some costly (to them) misjudgments.

I think this whole matter can only be satisfactorily resolved now by having a meeting of those Ministers involved under the Prime Minister's chairmanship; my responsibility for the Judiciary will not allow me to let matters rest where they are. Perhaps I could ask you to consider arranging such a meeting.

I am copying this to the Prime Minister, Michael Heseltine, John Biffen and Sir Robert Armstrong.

yrs:

A handwritten signature in black ink, consisting of a large, stylized initial 'L' followed by several loops and a long horizontal stroke extending to the right.

From: THE RT. HON. LORD HAILSHAM
OF ST. MARYLEBONE, CH. FRS. DCL.

A+

Defence

12/12/83



21 DEC 1983





D

a/NO

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

24 November 1983

Dear Nigel,

TSRB PENSIONS

with AT

Thank you for sending me a copy of your letter of 21 November to Michael Heseltine about the pensions options open to us in the light of the pay decisions for TSRB groups.

As you say, in considering possible changes, it will be important not to endanger the stand which has already been taken with respect to other groups, including Members of Parliament. Although the pay settlement for MPs can be regarded as somewhat different from the others in that it laid down pay levels for the next 5 years, I am bound to say that I see a serious risk of the matter being re-opened if any concessions are made to other groups. We would be faced with renewed demands to backdate the pay award for pensions purposes, and I should find it difficult to justify any outcome which appeared to favour other public service groups to the disadvantage of MPs. I strongly favour your preference for option 5.

I am copying this letter to the Prime Minister, the Lord Chancellor, the Secretary of State for Defence, the Secretary of State for Social Services and Sir Robert Armstrong.

John Biffen

JOHN BIFFEN

The Rt Hon Nigel Lawson MP
Chanellor of the Exchequer

Elon Rd
7573

24. Nov 1983
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A

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

21 November 1983

The Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London SW1

TSRB PENSIONS

In my absence abroad, Barney Hayhoe acknowledged your letter to me of 20 September and suggested it would be helpful if our officials got together to consider the options open to us before I sent a substantive reply. I enclose a copy of the paper they have produced.

My concern is twofold. First, I want to avoid further entrenching the practice of backdating pay for pension purposes which has been followed in some previous years. This seems to me to be undesirable in itself and also in the example it sets the private sector, where tax revenue can be at stake. Second, we must not endanger the stand which has been taken this year by Norman Fowler in relation to doctors and dentists, and by John Biffen in relation to MPs, where we have refused proposals for backdating. Thus we should in my view stand firm on Option 5 in the paper by officials.

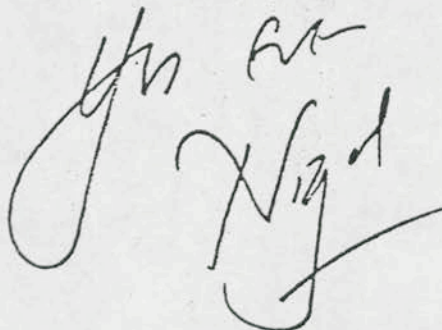
Of the other options identified, Option 4 (modification to the Armed Forces Pension Code) would help only the Armed Forces and thus would clearly make difficulties for the other TSRB groups. Option 3 (backdating the 1 August increase for those who voluntarily retired between 1 April and 1 August) seems to me to be likely to lead to claims of inconsistency. Option 2 (in effect backdating the August increases to April) even if done as an act of grace and fairness, would seem to concede the principle of backdating and could raise awkward pressures for doctors etc. And of course, I should want to resist very

strongly indeed Option 1 (fully backdating both the August and January increases to April.)

I recognise the difficulties you and the Lord Chancellor see in Option 5. Indeed I have some of these myself, since I am responsible for the pension arrangements for senior Civil Servants. But in a situation where all solutions suffer from serious disadvantages, this seems to be the least objectionable and I hope, therefore, that on reflection you will be prepared to accept it.

In any event, I agree with the suggestion in paragraph 7 of the note by officials that we should review the pension arrangements for the TSRB groups to see what could be done to minimise problems in any future year in which we wish to give pay increases for these groups from a date other than 1 April.

I am copying this letter to the Prime Minister, the Lord Chancellor, the Lord Privy Seal, the Secretary of State for Social Services and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Nigel Lawson'. The signature is written in a cursive, somewhat stylized script. Above the main signature, there are some faint, less distinct markings that could be interpreted as initials or a second signature.

NIGEL LAWSON

TOP SALARIES PAY AWARDS - DATE FOR PENSION PURPOSES

This note, which has been prepared by the Treasury after consultation with interested Departments, discusses the question that has arisen of the date to be taken for pensions purposes of the recently announced pay increases for TSRB groups.

Background

2. On 21 July 1983 the Prime Minister announced the Government's decision on Report No 19 of the Top Salaries Review Body (TSRB) about the pay of certain top salary groups. The decision was that these groups should receive an increase in pay from 1 August 1983 equivalent to the difference between the TSRB recommended rates at 1 April 1982 and 1 April 1983, averaging around 6.9 per cent; and a further increase from 1 January 1984 equivalent to the amount withheld in 1982 from the TSRB recommended rate at that time, averaging around 5 per cent.

3. This decision followed the announcement before the Election of decisions in connection with the AFPRB and DDRB Reports. The AFPRB recommendations were accepted in full from 1 April 1984, while for DDRB the difference between the recommended rates at 1 April 1982 and 1 April 1983 (about 6 per cent) was awarded from 1 April 1983, while the amount held back in 1982 from the 1982 award (about 2.7 per cent) was awarded from 1 January 1984.

Pensions dates

4. The question is whether, for pension purposes, it is the salaries actually in payment at any moment in time for these groups which should be the operative figure. This approach has been adopted for the doctors and dentists (and also for MPs, though the arguments there are a little different). On the other hand it does not follow the precedents set in 1975, 1978 and 1979 for the TSRB groups (and in 1978 for all the Armed Forces and in 1979 for MPs) when the recommended rates from 1 April of each year, rather than the rates in payment,

were used for pension purposes. In those earlier years, however, the higher rates were promulgated as the rates for the jobs with part withheld in the national interest; such a formulation is necessary to meet Inland Revenue's requirements which guard against abuse in the pension field generally by preventing pensions being based on purely fictional salaries.

5. The decision by Treasury Ministers to stick to amounts in payment for 1983-84 has led to representations in respect of each of the three cases of the TSRB groups; the higher Civil Service, the judiciary and the Armed Forces. What is decided for the higher Civil Service will also determine the policy for a number of other public officers with pay links. (For instance, as it happens both Clerks of the Houses of Parliament, whose pay and conditions follow that of Permanent Secretaries, retired at the end of July when Parliament rose and stand to be caught if nothing is done for civil servants.) Pension arrangements for the three TSRB groups vary, but in each case people retiring between 1 April 1983 and 1 January 1984 would be worse off under the proposed arrangements than had pay been deemed to have been increased from 1 April 1983. The Annex sets out some of the effects; these are particularly marked for the Armed Forces.

The Options

6. There are a number of possible options for the handling of pensions, in the light of the decisions on salary increases :-

Option 1 - deem the 1 January 1984 salaries to apply from 1 April 1983 for pension purposes for all TSRB groups.

This would follow what has been done on occasions in the past and would most completely dispose of the anomalies. Nevertheless it has drawbacks. It would have undesirable repercussions for what has now been settled for doctors and dentists, and perhaps for MPs, and it would involve reversing the line already taken (and accepted) in many individual cases. It could just call in question the treatment of people who retired in 1982-83; it is true that at the time there was no assurance that the abatement

of April 1982 would ever be made good, but now as a question of fact it is to be restored. And by providing yet another precedent of deemed backdating of salaries it would make it more difficult to hold to a practice in future of basing pensions on salaries actually received; this will be important, for instance, in the case of Civil Service grade restructuring where the associated pay changes may need to be phased in on both equity and cost grounds.

Option 2 - deem 1 August 1983 salary to apply from 1 April 1983 for pension purposes for all TSRB groups.

This approach still involves a measure of deemed backdating but it could be justified not on the grounds that such backdating was of itself acceptable - indeed it could be made clear that the practice of deeming higher salaries for pension purposes would not normally be adopted in future - but because given past history and in particular the recent decision on doctors and dentists people had a reasonable expectation that the increases that were actually given from 1 August would have been given from 1 April - or at the least count for pension purposes from that date - and to that extent fairness made this degree of exceptional backdating reasonable. On the other hand while it is unlikely that this option would affect the position on MPs and civil servants lower down, it could well lead to pressure to re-open the position reached on doctors and dentists. And of course it also has the drawback that it does not go as far as Option 1 to meet the anomalies and sense of injustice which have been exposed in the representations.

Option 3 - deem 1 August 1983 salary to apply from 1 April 1983 for pension purposes for those in TSRB groups who retired voluntarily during April to July 1983.

This is a variant of Option 2, which restricts the application only to those who retired voluntarily, recognising that those concerned took a decision to retire with an expectation of their pensions reflecting a salary increase from 1 April 1983.

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This restriction would in practice involve a difficult distinction between those who were simply caught by the workings of the system - those whose retirement dates were fixed; and those who could have taken a different decision and by not doing so may have worsened their condition. The problem with this approach is that it would create a difficult grey area and would mean that the policy was left to depend upon an individual's circumstances where the motivation for departure might not always be clear cut; and where indeed people who came to some minimum retirement date (and would therefore be excluded from the concession) might have had the option of staying on had they known. Moreover, it would cause invidious comparisons between individuals and invite the argument that those who were required to leave had no lesser case than those who left voluntarily.

Option 4 - do nothing so far as senior civil servants and the judiciary are concerned but continue the 1982 Code for Armed Forces Officers retiring in April-July 1983.

This would recognise the very special nature of the Armed Forces Code. It would enable Armed Forces Officers retiring during 1 April to 31 July 1983 to benefit from the 1.6 per cent pensions increase incorporated in the 1982 Pension Code. While it would ensure that they did not receive less than those of the same rank who retired before 1 April 1983, the Ministry of Defence feel that it would do little to remedy the injustices felt, especially with respect to the reduced terminal grants, and is less attractive than Options 1 or 2 even for Armed Forces Officers. It would do nothing for senior civil servants and the judiciary.

Option 5 - hold strictly to the operative dates of 1 August and 1 January for all.

This Option would avoid notional backdating of salary for pension purposes. It would involve the Armed Forces publishing three Pension Codes during 1983-84 which is complicated and undesirably divisive but not impossible.

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No particular action will be required for the senior Civil Service and the judiciary whose schemes would simply take note of the salary in payment and be operated accordingly. On the other hand clearly this Option does nothing to help with the evident anomalies under the Armed Forces scheme, or with the more general representations being made.

7. Whatever is decided for this year there is a case for reviewing pension arrangements for TSRB groups, especially Armed Forces, with a view to seeing whether it is possible to ensure that if Ministers choose in future years to increase pay during the course of the financial year in the sort of way that was done in 1983-84, pension problems and anomalies are minimised.

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Financial effects of basing pension on salaries in payment

The effect is softened for civil servants in that pensions are based on average salary. However for those retiring on 31 December 1983 with 38 years' service, the amounts at issue still range from £634 to £1,237 per annum for pensions and £1,902 to £3,711 for lump sums.

2. There is a sharper effect for judges where pensions are based on the rate of salary at retirement; for a retirement on 31 July 1983 the shortfall is £2,750 per annum on pension and £5,500 on lump sum for a High Court Judge and £1,375 per annum on pension and £2,750 on lump sum for a Provincial Stipendiary Magistrate. However, judges do have pensions increase calculated from the date of retirement so that those retiring earlier obtain more pensions increase than later retirees.

3. The disparities are most marked for the Armed Forces where the same rates of pension and pensions increase are prescribed for all those of equivalent rank retiring during the currency of a Pension Code (ie normally in the same year which usually runs from April to March); the amounts at issue range from £1,334 to £2,425 per annum for pensions and £4,002 to £7,275 for lump sum. Moreover, those retiring during April to July 1983 would receive smaller pensions than those of equivalent rank retiring up to 31 March 1983 and two star officers retiring between April and July would receive the same pension as their immediate subordinates.

4. Doctors and dentists have accepted actual salaries as the basis for pension, but could be involved in repercussions of decisions taken for TARB groups. The amounts involved are much lower than for the TSRB groups largely because of the payment of the first salary increase from 1 April 1983; however, the numbers involved are much greater. For retirements on 31 December 1983 the British Medical Association has represented that the shortfall for a consultant could be £225 per annum for pension and £675 for lump sum and for the average GP £203 per annum for pension and £609 for lump sum.

5. The maximum difference in overall costs of the various options for the three TSRB groups is estimated at about £0.3 million in 1983-84 and £0.1 million pa thereafter. If doctors and dentists were also affected the figures would be much bigger at £1.75 million for 1983-84, £1½ million for 1984-85 and £3/4 million per annum thereafter. Any additional costs which did arise would be absorbed within existing plans.

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*cc: NHS
NHS > Pay file*

*cc: LPO
DOR
DHSS
Ch. Sec. HMT
CDH
Emp.
LCO
MOD
SO
CO*

LFO



file

10 DOWNING STREET

From the Private Secretary

31 October 1983

Dear John.

PAY REVIEW BODIES

The Prime Minister has seen the Chancellor's minute of 27 October reporting on the outcome of the meeting of E(PSP). She agrees with his recommendations that the most useful action would be to improve the evidence which the Government puts to Pay Review Bodies as a way of putting less weight on comparability; and that the terms of reference of these Bodies should not be altered. She is willing to see the Chairman of the Nurses' Review Body, in the way that she saw the Chairman of the Doctors' and Dentists' Review Body. She has noted the recommendation that meetings with the Chairmen of the other Review Bodies would not be helpful at present.

I am sending copies of this letter to the Private Secretaries to the members of E(PSP), David Staff (Lord Chancellor's Office), Richard Mottram (Ministry of Defence), John Graham (Scottish Office) and Richard Hatfield (Cabinet Office).

*Yours sincerely
Andrew Turnbull*

ANDREW TURNBULL

John Kerr Esq
HM Treasury

CONFIDENTIAL

Bre.

CE/NO



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

Prime Minister ①

PRIME MINISTER

Yes no

Agree these recommendations including action for you at X? The Chairman of the Nurses Review Body is Sir John Greenborough. Recommendations on other members to come shortly.

AT 28/10

THE PAY REVIEW BODIES

E(PSP) met under my chairmanship on 25 October (E(PSP) (83)5th Meeting, Item 1) to discuss how to ensure that the recommendations of the pay review bodies for 1984 take full account of the Government's policies relating to public service pay. In the light of a report by the Official Committee on Public Sector Pay (PSP(O)) we considered:-

- i. whether further action was needed in respect of any or all of the review bodies to encourage them to give more weight to recruitment, retention, and to affordability and other economic factors;
- ii. if so, whether this action should take the form of:
 - a. altering the terms of reference of the review bodies; or
 - b. exchanges between yourself and Chairmen of the review bodies.

2. We were agreed that the most useful action which could be taken would be to improve the quality of the Government's evidence to all the pay review bodies in 1984 on both managerial and general economic matters. We shall need to take full advantage of the opportunities which the Government's evidence provides to encourage the review bodies to place more

Econ. Pol.
Pt 11



weight on factors such as recruitment, retention, affordability and other economic considerations and less on comparability.

3. We agreed that the review bodies' terms of reference should not be amended, since to do so might be counter-productive if the review bodies interpreted changes as reflecting on their independence; and would restrict the grounds on which the Government could justify overriding a recommendation of a review body. We considered that it would be natural, and might be helpful, for you to see the Chairman of the new Nurses' Review Body to impress on him the Government's views on the body's work; and the Subcommittee agreed that I should so advise you. We did not consider that meetings between yourself and Chairmen of other review bodies would be helpful at present, though there might be circumstances in the future in which such meetings might be appropriate.

4. I am sending copies of this minute to members of E(PSP), the Lord Chancellor, the Secretary of State for Defence, the Secretary of State for Scotland and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'N.L.' with a flourish.

(N.L.)

27 October 1983

Low POA
TSRB pr-5

28 OCT 1983

11 21
9 1
8 7 6 5

COMPTON

11

CONFIDENTIAL

Prime Minister⁽²⁾

Some good points. Agree a wait report from Chancellor, as Chairman of E(PSP) before 18 October 1983 acting on X?

MR TURNBULL

cc Mr Mount

AT 18/10

PAY REVIEW BODIES: PAPER BY OFFICIAL COMMITTEE

The paper which E(PSP) takes on Thursday contains some proposals which would involve the Prime Minister. I am therefore drawing aspects of this subject to your attention now, even though I do not think there is any need for the Prime Minister to intervene with the Chancellor in advance of the E(PSP) meeting.

The paper examines whether the pay increases recommended by review bodies are out of line with pay increases generally, and whether, in reaching their decisions, the Review Bodies pay sufficient attention to Government policy relating to public sector pay.

The paper reaches a surprising conclusion in paragraph 11: that even if the recommendations had all been accepted in full, the groups concerned would not have maintained their positions in the earnings league. For example, the pay recommended (and subsequently paid) to a Corporal is now 92% of average earnings; in 1971-73 it was over 100%. Army Captains now receive 130% of average earnings, compared to around 150% in 1971 and 1972. It could be claimed that these bodies succeed in reconciling the professional groups concerned to a declining position in the earnings league, with the minimum of political fuss. The recommendations become politically embarrassing mainly because there is frequently an element of catching up to be done.

However, the Government's objective in determining public sector pay is not to maintain comparability (there is no principle, for example, which says that a Corporal has a right to average earnings). The question is: at what level of pay can the services concerned be maintained satisfactorily over a long period?

The review bodies have grasped this to varying degrees. The DDRB clearly have (see comment at paragraph 13). The TSRB are less clear: while recognising a "marked difference in accountability and a greater degree of job security in most of the public service"

CONFIDENTIAL

the TSRB is nevertheless inclined to grope about for a private sector analogue of a Permanent Secretary. There probably aren't any. The logical solution to this problem is to focus on recruitment. Young people presumably consider the pay structure of the Civil Service as a whole before embarking on a career in the Civil Service. It is the perception of these potential recruits, not the Board members' views on comparability, which matters.

The AFPRB appears to give the least attention to market forces, perhaps not surprisingly, since the 1979 Manifesto itself emphasised "full comparability with civilian counterparts". The AFPRB tends to take account of recruitment only in the negative sense: if recruitment is difficult, it would influence the recommendation. But the converse seems not to be true: the AFPRB do not seem inclined to scale down their recommendation when the recruitment position is good.

The paper considers whether Ministers should tackle this question, either by altering the terms of reference of the Boards, or by an approach by the Prime Minister to the Chairmen. The latter is preferred, and we agree. The Prime Minister's recent correspondence with the DDRB Chairman appeared to have a salutary affect. A case for a confidential discussion with the Chairmen? (X)

NICHOLAS OWEN
60



10 DOWNING STREET

Prime Minister ④

Pay Review Bodies

To note options at this stage. Chancellor will minute you after meeting of E(PSP) on 20 October.

AT

12/10

ms

CONFIDENTIAL



~~CC NO~~

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Michael Heseltine MP
Secretary of State
Ministry of Defence
Whitehall
LONDON SW1A 2HB

23 September 1983

Jim Michael

TSRB PENSIONS *with Mrs*

In Nigel Lawson's absence abroad I am writing to thank you for your letter to him of 20 September.

Of course we are aware of your concerns, and as you say I have discussed them with David Trefgarne. As I told him, we are prepared to look at ways in which individual examples of blatant injustice which might arise from the present position could be alleviated; and we have made some proposals to your officials in an effort to be helpful. I think these deserve fuller consideration; and there may be other ways forward in the particular circumstances of the Armed Forces pension provisions which might help with the very real problems you see. Our concerns here are to avoid breaching the stand we have taken so far (eg in relation to doctors and dentists and MPs) and must continue to take; namely that there should be no notional backdating or "deeming" of pay for pension purposes. I know this has been done in the past but I do not think the practice is a happy one and we are anxious to get away from the precedents.

Nigel Lawson will certainly want to consider your letter carefully on his return and it may be that a meeting will be necessary. Meanwhile, what I suggest is that our officials get together urgently to summarise the possible options we now have, taking account of your concerns and of ours, as a basis on which Nigel can consider your letter and, as I say, perhaps meet with you. I think this would be the best way ahead immediately.

I am copying this letter to the Prime Minister, the Lord Chancellor and to Sir Robert Amrstrong.

Barney Hayhoe

BARNEY HAYHOE

CONFIDENTIAL

23 SL 183





70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Permanent Secretary to the Management and Personnel Office

Sir Robert Armstrong GCB CVO

Ref. A083/2689

CHANCELLOR OF THE EXCHEQUER

cc Prime Minister
Lord Chancellor
S/S Defence

The Secretary of State for Defence has sent me a copy of his letter of 20 September to you, proposing that the pensions of senior members of the Armed Forces and of the Judiciary retiring on or after 1 April 1983 should be based on the full recommended rates of pay that have been accepted by the Cabinet but staged until 1 January 1984.

2. Although the pensions of retired senior civil servants are based on average salary in the last year of service rather than on salary, at the date of retirement, so that the amounts of money at stake in individual cases are smaller, I think that the same principle is involved in the case of senior civil servants as in the case of senior members of the Armed Forces and Judiciary; and that senior civil servants who have ~~since~~ retired ~~since~~, 1 April 1983 would think that they had been treated inequitably, if the pensions of senior members of the Armed Forces and Judiciary retiring after that date were based on the 1 January 1984 pay rates and theirs were not. In the case of the senior civil servants, the effect of applying the principle would be that, in calculating average salary for the last year of service, the salary payable from 1 April 1983 would be deemed to be that recommended by the Top Salaries Review Body for that date and approved by the Government for implementation from 1 January 1984.

3. I am sending copies of this minute to the Prime Minister, the Lord Chancellor and the Secretary of State for Defence.

REA

ROBERT ARMSTRONG

22 September 1983



cc [unclear]
Prime Minister (4)

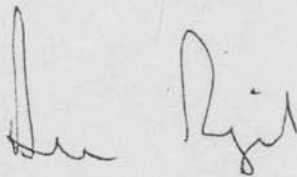
ms 21/9

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALING 01-218 2111/3

MO 4/4

20th September 1983



David Trefgarne has already had some discussion with Barney Hayhoe about the depressed rates of pensions that would be awarded to senior officers of the Armed Forces by relating them - as the Treasury propose - to the actual rates of pay received during the staging of the 1983 TSRB pay award. David made clear to Barney at the time that he was not happy with the outcome of their meeting; nor are the Chiefs of Staff; and neither am I. I should add that the Lord Chancellor - who is at present in Hong Kong - is also most concerned not only at the effect that the Treasury's proposal would have on the pensions of judges who retire between 1st April and 31st December but at the lack of adequate consultation with responsible Ministers. The Cabinet when it discussed the TSRB recommendations in July took no decision on this matter and the present situation - as far as the Lord Chancellor and I are concerned - arises as an unconsidered consequence of the Cabinet's decision on pay.

I am afraid it is necessary to go in to some detail to illustrate the injustice to individuals which we are in danger of perpetrating. In the Civil Service and most other public services (apart from the Judiciary) pensions are based on individual salaries earned over the last twelve months of service. When new pay rates are introduced

The Rt Hon Nigel Lawson MP



those retiring shortly thereafter benefit from only slightly increased pensions since only a small proportion of their salary over the previous twelve months has been earned at the higher rate. The Armed Forces however promulgate new rates of pension together with new pay rates that, like the pay rates, are immediately effective and continue to be awarded until superseded. The Treasury proposal to relate pensions to the staged pay award would therefore have a particularly sharp impact on the Armed Forces - and on the Judiciary - whose pensions are based on the rate of salary in payment on the day of retirement. For example, the difference in the pensions that would be awarded to Generals retiring before 1st August 1983 and after 31st December 1983 would be nearly £2,500 a year, and the difference in their lump sums over £7,250. The depressed rates of pension would also affect adversely any widow's pension that came into payment in the future.

There would be particular anomalies attaching to retirements from the Armed Forces in the period 1st April to 31st July. - Under the pension increase arrangements for the Armed Forces those retiring between November and April receive an immediate increase in their pensions for which those retiring from 1st April onward do not normally qualify. So if the pensions of those retiring between 1st April and 31st July were based on 1982 pay rates, those retiring in that period would - unless special arrangements were made - be worse off than their colleagues retiring in the immediately preceding period. Further, because the recommendations of the Armed Forces Pay Review Body were accepted without staging, the increase for a 1-star officer (Brigadier and equivalent) has completely eroded the pay differential between 1 and 2-star officers (Major General and equivalent) in the period 1st April to 31st July; and in the absence of any special arrangements a 1-star officer retiring before 1st April would be receiving a higher pension than a 2-star officer who retired between 1st April and 31st July. Barney Hayhoe has, I understand, shown some concern for these problems and has proposed certain solutions. But these are only palliatives that reduce the worst



anomalies but do nothing to remedy the wider injustice of which they are symptomatic.

In the past when a recommended rate of salary has been accepted but staged, pensions have been based on the full recommended rates of pay from the outset. This was done for all Servicemen retiring in 1978-79 under a staged pay award for that year, and again in 1979-80 for senior officers affected by the staging of the 1979 TSRB recommendations. For a Conservative administration to treat retiring Servicemen and their widows with less consideration than a Labour administration is, as far as I am concerned, totally unacceptable.

I must therefore ask you to reconsider the policy that you are advocating. Both I and the Lord Chancellor hold firmly to the view that the pensions of senior members of the Armed Forces and of the Judiciary should from 1st April 1983 be based on the full recommended rates of pay that have been accepted by the Cabinet but staged until 1st January 1984. There is all the difference in the world between the loss to an individual of nine months' pay and his having the ill-fortune to retire in a period of depressed pay that will ensure that his pension - and that of his widow - will be permanently reduced, with a consequential loss over the years of literally tens of thousands of pounds. To treat in this way loyal public servants at the end of their careers - for a saving that for the Armed Forces amounts to £160,000 in 1983/84; and £40,000 per annum subsequently - does not I suggest, bear examination.

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

Gay war

Michael Heseltine



Copy to:

Minister (AF)	2nd PUS	MF
US of S (AF)	ACDS (P&L)	
CDS	DUS (PL)	38
PUS	AUS (PL)	
VCDS (P&L)	Head of DS14	
2SL	Head of NPP	
AG	Head of Sec2 (A)	
AMP	Head of F2 (Air)	

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 5000
DIRECT DIALLING 01-218 2111/3

MO 4/4

20th September 1983

Prime Minister (2)

Sir R Armstrong
a similar
makes the same point for
senior civil servants, in his
note (attached).

MS. 23/9

David Trefgarne has already had some discussion with Barney Hayhoe about the depressed rates of pensions that would be awarded to senior officers of the Armed Forces by relating them - as the Treasury propose - to the actual rates of pay received during the staging of the 1983 TSRB pay award. David made clear to Barney at the time that he was not happy with the outcome of their meeting; nor are the Chiefs of Staff; and neither am I. I should add that the Lord Chancellor - who is at present in Hong Kong - is also most concerned not only at the effect that the Treasury's proposal would have on the pensions of judges who retire between 1st April and 31st December but at the lack of adequate consultation with responsible Ministers. The Cabinet when it discussed the TSRB recommendations in July took no decision on this matter and the present situation - as far as the Lord Chancellor and I are concerned - arises as an unconsidered consequence of the Cabinet's decision on pay.

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The Rt Hon Nigel Lawson MP



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

Gay

Michael Heseltine

cc ECON POL TSRB PHS

Mr. Scholar

Ref. A083/2636

MR INGHAM

c Mr Butler

Sir David Orr, Chairman of the Armed Forces Pay Review Body, is very unhappy about the first paragraph of the article in today's Financial Times about yesterday's Cabinet decision on the pay limit for public expenditure. It implies that the increase in the Armed Forces pay will be held to three per cent, irrespective of what the Review Body thinks, and Sir David Orr feels that, if that impression cannot be corrected, the Review Body will think that its work is a mockery and will be liable to resign.

2. I have told him that I will ask you to say to the Lobby --- today something on the lines of the attached text. I have cleared the text with the Treasury, and I have read it over to Sir David Orr who is content.

RTA

ROBERT ARMSTRONG

16 September 1983

Proposed Statement to Lobby

As yesterday's announcement made clear, the 3 per cent is not a pay norm or a pay limit. As regards members of the Armed Forces, the situation is exactly as it has been in previous years. The Armed Forces Pay Review Body will be free, as in previous years, to make whatever recommendations it sees fit in the light of the evidence available to it. Assuming that the Government accepts those recommendations - as it has invariably done since 1979 - if their cost exceeds 3 per cent of the pay bill, they will be financed, as in the past, either by savings elsewhere in the Defence Budget or by drawing on the Central Contingency Reserve.



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

W F S Rickett Esq
10 Downing Street

✓ CF - letter sent 17.5.83

2 August 1983

2 gn

News with,

I think the pm has already written to Lord Plowden thanking him for these reports. Pl check. if she has not, pl type.

TSRB REPORTS

Now that the dust has settled on the 2 reports of the Top Salaries Review Body the Prime Minister may wish to send a short letter of thanks to Lord Plowden. The enclosed draft might be useful.

WJ
4/8

I am sending a copy of this letter to David Heyhoe in the Lord Privy Seal's Office and David Beamish in the Lord President's Office.

*Yours ever,
J O Kerr.*

J O KERR

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO :

Lord Plowden KCB KBE

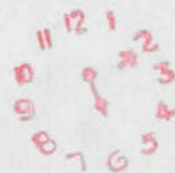
I am writing to thank you for the time and trouble which you and other members of the Review Body on Top Salaries put into the Sixth Report on Top Salaries, and the Review of Parliamentary Pay and Allowances.

We have

~~2. The Government~~ has, as you know, decided that your proposals on pay for Senior Public Servants should be implemented in full from 1 January 1984.

~~3.~~ So far as Parliamentary pay and allowances go, not all your proposals have been implemented in full. Nevertheless, the reaction of both Houses of Parliament to the recommendations are a testimony to the thoroughness with which you examined these matters. I know I speak for Members of both Houses when I ~~express appreciation of~~ *thank you for* this.

3 AUG 1988



File

089

BIR ROBERT ARMSTRONG

Thank you for your minute of 20 July (A083/2147) attaching a draft Parliamentary Question and Answer announcing the Government's decisions on the report of the Top Salaries Review Body No. 19 on the higher Civil Service, senior officers in the Armed Forces and the judiciary. I attach the answer in the form in which the Prime Minister approved it following this morning's Cabinet.

E. F. R. BUTLER

21 July 1983"

Thursday 21 July 1983

(Answered by the Prime Minister on

UNSTARRED Sir Michael Shaw: To ask the Prime Minister, if
NO. 157 she will make a statement on Report No 19 of the
Top Salaries Review Body about the pay of certain
top salary groups.

Report No 19 of the Top Salaries Review Body on the salaries of the higher civil service, senior officers in the armed forces and the judiciary (Cmnd 8879) was laid before the House before the Election. In my reply of 12 May 1983 I said that the Report would be for consideration after the Election.

The Report recommends with effect from 1 April 1983 increases in the pay of members of these groups which are estimated to add about 6.9 per cent to the pay bill over and above the costs of implementing in full the Review Body's recommendations of 1 April 1982; in addition the Review Body urge that the abatement of their recommended pay for these groups which was made in 1982 and amounts to slightly less than 5 per cent should now be restored.

The Government proposes to implement the recommended increase for this year with effect from 1 August 1983 rather than from 1 April 1983. As in the case of this

/ year's

year's Report of the Doctors and Dentists Review Body, the Government proposes to make good the abatement with effect from 1 January 1984. The estimated increase in the pay bill for these groups for the financial year 1983-84 is 5.85 per cent, at a cost of £2.9 million.

These costs will be contained within the provision for total public expenditure in the Public Expenditure White Paper (Cmnd 8789).

The schedule of the existing salaries and the new salaries to come into effect from 1 August 1983 and 1 January 1984 is set out below.

The Government are most grateful to Lord Plowden and the members of the Top Salaries Review Body for their Report and for the time and care which they have put into its preparation.

SENIOR PUBLIC SERVANTS

	Salaries currently in payment	Salaries wef. 1 8 83	Salary wef 1 1 84	Numbers in post at 1 1 83
<u>Senior Grades of the Higher Civil Service</u>				
Secretary of the Cabinet) Permanent Secretary to the Treasury)	42,000	45,000	48,000	2
Permanent Secretary	37,750	40,500	42,750	22
Second Permanent Secretary	35,000	37,500	39,500	11
Deputy Secretary	30,250	32,500	34,250	133
Under Secretary	25,000	26,750	27,750	490
<u>Senior Officers of the Armed Forces</u>				
Admiral of the Fleet) Field Marshal) Marshal of the Royal Air Force)	42,000	45,000	48,000	1
Admiral) General) Air Chief Marshal)	37,750	40,500	42,750	20
Vice-Admiral) Lieutenant General) Air Marshal)	30,250	32,500	34,250	38
Rear Admiral) Major-General) Air Vice-Marshal)	25,000	26,750	27,750	158
<u>Judiciary</u>				
Lord Chief Justice	52,500	56,500	60,000	1
Master of the Rolls) Lord of Appeal) Lord President of the Court of Session) (Scotland))	48,250	51,750	55,000	11
Lord Chief Justice (Northern Ireland)) President of the Family Division)	47,000	50,500	53,500	2
Vice Chancellor) Lord Justice of Appeal) Lord Justice Clerk (Scotland)) Lord Justice of Appeal (Northern Ireland))	45,500	49,000	52,000	23
High Court Judge) Judge of the Court of Session (Scotland)) Puisne Judge (Northern Ireland))	42,500	45,500	48,000	97

	Salaries currently in payment	Salaries wef <u>1 8 83</u>	Salary wef <u>1 1 84</u>	Numbers in post at <u>1 1 83</u>				
President, Lands Tribunal (England and Wales)	30,000	32,250	33,750	4				
President, Transport Tribunal								
Chief Social Security Commissioner (England and Wales and Scotland)								
President, Industrial Tribunals (England and Wales)								
President, Industrial Tribunals (Scotland)	29,000	31,250	32,750	21				
Sheriff Principal (Scotland)								
Chairman, Scottish Land Court								
President, Lands Tribunal (Scotland)								
Official Referee (London)								
Vice-Chancellor of the County Palatine of Lancaster								
Recorder of Liverpool								
Recorder of Manchester								
Senior Circuit Judge (Newington Causeway)								
Recorder of Belfast (Northern Ireland)								
President of the Lands Tribunal (Northern Ireland)								
Chief Social Security Commissioner (Northern Ireland)								
Circuit Judge	27,750	29,750	31,000	440				
Chief Metropolitan Magistrate								
Member, Lands Tribunal (England and Wales and Scotland)								
Social Security Commissioner (England and Wales and Scotland)								
Judge Advocate General								
Sheriffs A and B (Scotland)								
County Court Judge (Northern Ireland)								
Master of the Court of Protection								
Senior and Chief Masters and Registrars of the Supreme Court								
Registrar of Criminal Appeals								
President, Industrial Tribunal (Northern Ireland)								
Member, Lands Tribunal (Northern Ireland)								
Social Security Commissioner (Northern Ireland)								
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland)					25,750	27,750	29,000	19
Chairman, Foreign Compensation Commission								
Vice-Judge Advocate General								

	Salaries currently in payment	Salaries wef <u>1 8 83</u>	Salary wef <u>1 1 84</u>	Numbers in post at <u>1 1 83</u>
Masters and Registrars of the Supreme Court				
Metropolitan Magistrate				
Chairmen, Industrial Tribunals (England, and Wales and Scotland)				
Provincial Stipendiary Magistrate				
Resident Magistrate (Northern Ireland)	24,000	25,750	26,750	339
Chairman, Industrial Tribunal (Northern Ireland)				
Master, Supreme Court (Northern Ireland)				
County Court Registrars and District Registrars of the High Court				

MCS

Econ Pol TSB.B.



Dave

10 DOWNING STREET

MCS

Sir Robert's Office
Are asking whether
the paper can be
circulated.

Can I give them
an answer?

WLB

2017

Copy by John Parkhurst
MP's Pay Pt 5

CONFIDENTIAL

a MP's Pay

6.4%
=
4.7%
5.4%

Ref. A083/2152

PRIME MINISTER

Top Salaries Review Body Reports

(C(83) 27)

The note (C(83) 27) which you instructed me to circulate sets out the background to the Cabinet's consideration of Report No 19 by the Top Salaries Review Body (TSRB) (Cmd 8879) on the pay of senior civil servants (Under Secretaries and above), senior officers in the armed forces (Major General and equivalent and above) and the judiciary. It puts forward two options for consideration:

Option A (consistent treatment with DDRB Report)

6.9 per cent (current year increase) from 1 April 1983

5 per cent (restoration of abatement) from 1 January 1984

effect in 1983-84: 8.2 per cent increase at a cost of £4.1 million (compared with £6 million for full implementation).

Option B (containing 1983-84 percentage increase at approximately the same level as that for MPs)

6.9 per cent from 1 August 1983

5 per cent from 1 January 1984

effect in 1983-84: 5.85 per cent increase at a cost of £2.9 million.

HANDLING

Salaries of MPs and Ministers

2. You will want to discourage further discussion of MPs' salaries. The Government has now no option but to bring before the House, probably on Tuesday 26 July, the necessary resolution to give full effect to the House's expression of opinion on 20 July.

3. On Ministers' salaries you will also not wish to reopen discussion of the decisions taken at your informal meeting on



18 July which I reported to members of the Cabinet in my minute to Mr Butler of the same date. Those decisions had to be taken because the original intention was to make clear the Government's position during, or at the conclusion of, the debate on MPs' pay, although in the event this did not prove to be necessary. The figures for the salary increases for the various Ministers and office holders which have now been incorporated in a new draft Order in Council are summarised for ease of reference in --- the table (not circulated to the Cabinet) annexed to this brief. I have minuted you separately about the special position of the Lord Chancellor. Because of the relativity with the pay of the Lord Chief Justice, it will not be possible to table the draft Order in Council until the Government has taken decisions about the pay of top salary groups.

4. I understand that, provided that the Cabinet takes decisions about the salary of the Lord Chief Justice and other top salaries, the draft Order in Council will be tabled late tomorrow for approval by the House next Tuesday at the same time as the effective resolution on MPs' pay. There will also be a Written Answer by the Lord Privy Seal summarising the Government's proposals on Ministerial salaries.

5. Some members of the Cabinet may ask what is to be done about Ministerial salaries from 1 January 1988 onwards, on which date MPs' salaries are to be determined by the movement between 1983 and 1988 of a Civil Service salary currently at or about £18,500. The answer is that the Order in Council which is required for an increase in Ministerial salaries must provide specific figures. Although the Government may wish to take action in 1988 to maintain the differential between the pay of Ministers and that of MPs, it is not clear now what specific figures would be required for that purpose. The Government will therefore have to deal with the situation for 1988 when it arises.

Top Salary Groups

6. You are very familiar with, and have often deployed to your colleagues, the arguments for implementing TSRB Report No 19 on the top salary groups in full. It would be hard to justify

implementing it in full for the whole year in view of the Government's earlier decision to phase the full implementation of this year's DDRB Report, with the current year increase payable from 1 April 1983 and the earlier abatement restored from 1 January 1984. Option A in C(83) 27, which reproduces the proposal considered earlier by the Cabinet on 10 May 1983, involves treating the top salary groups in the same way as the doctors and dentists.

7. Some members of the Cabinet may suggest that the right course would be to give the current year increase of 6.9 per cent only and carry forward the 5 per cent abatement indefinitely. Others may argue for an arbitrary increase in line with the going rate of settlements in the public services, say 4½ to 5 per cent. Either course would be undesirable on management grounds. An awareness that top Civil Service salaries had been held back, and that they are now a long way below remuneration levels at comparable levels in industry and in the City, is one of the factors adversely affecting the quality of recruitment to the Civil Service. The Lord Chancellor will testify to the difficulties he faces in persuading barristers to accept appointment to the bench. The 5 per cent backlog dates back to 1980. There is now a strong case for getting rid of the backlog in implementing recommendations for the top salary groups before the 1984 Report. Much of the embarrassment which successive Governments have encountered in dealing with review body reports results from the backlog in implementing earlier recommendations. In 1984 there will be no such backlog in respect to the AFPRB and the DDRB, and the pay of MPs and Ministers has been settled for several years ahead. This would be a convenient moment to dispose of the one remaining problem of backlog.

8. Option B has therefore been designed as a way of ensuring at moderate cost in the current financial year, that the TSRB recommendations will have been implemented in full by 1 January 1984, in good time before the next report, which will relate to 1 April 1984 and will have to be considered in May 1984 or thereabouts. The increase in the current year (5.85 per cent) is only fractionally higher than that for MPs (5.73 per cent) and



the cost (£2.9 million) is less than half the cost of implementing the TSRB recommendations in full.

9. In favour of Option A it can - and will - be argued that the top salary groups ought not to be treated less favourably than the doctors and dentists and that there is no good reason for trying to relate decisions on the pay of these groups, which ought to be based on management considerations applicable to these groups, to the decisions which MPs have taken about their own pay in the light of many considerations which are peculiar to elected representatives. In favour of Option B it may be argued that the cost will be less in the current year and that in the light of the Government's stand and the House's decision on MPs' pay it will be easier to present such a proposal to the House and publicly. Any option less favourable than Option B, which already involves a 4 month freeze for the top salary groups after their normal date for a salary increase, would be difficult to justify.

10. It would also, I believe, lead to the resignation of the Top Salaries Review Body. I know that some of your colleagues might not regard that as a disaster; but the Government needs some external and independent advice on salaries of public servants at these levels, which cannot be settled by negotiation; and any alternative to the present Review Body could hardly be expected to take a more responsible line: the dangers would be the other way round. When I saw Lord Plowden recently to tell him what was envisaged on MPs' pay, he said that the Review Body would understand and accept that the House took overriding political considerations into account in settling MPs' pay, but would consider that that credibility was called in question if the Government did not accept the recommendations on top salaries. This view has now been transmitted in writing in a
--- letter of which I attach a copy. I have no doubt that the Review Body would understand and accept a decision in favour of Option A. I think that they would in practice put up with Option B, though the letter talks about credibility of the Review Body being damaged if the treatment was less favourable than that for doctors and dentists: I doubt whether they would see

the difference between 1 April and 1 August as a resignation issue. But I think that any decision which did not bring the salaries up to the recommended levels by the end of this financial year - so that next year's review started with no backlog - would be likely to lead to the Review Body's resignation.

11. As to what the "clients" - the civil servants, officers and judges - themselves would feel, I believe that they would not expect to be more generously treated than doctors and dentists (ie Option A); but their attitude to Option B would be one of resigned acceptance of the political considerations which dictated what would be seen as an illogical deferment of the recommended (and traditional) operative date for the 6.9 per cent from 1 April to 1 August, provided that the 5 per cent backlog was implemented from 1 January 1984; but that, in the light of the award to doctors and dentists and of MPs' decision (with Government acceptance) to take increases from 22 June to 1 January raising their salary level by 10.7 per cent this financial year, anything less generous than Option B would be regarded as highly discriminatory and unfair.

12. Once a decision has been reached, it would be desirable to announce it as soon as possible. If a suitable arranged Question has been put down this evening, you will probably wish to make the announcement by a Written Parliamentary reply tomorrow afternoon. A draft has already been submitted with alternative versions depending on whether Option A or Option B is approved

CONCLUSIONS

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

- i. whether the Government's response to TSRB Report No 19 on the Top Salary Groups should be on the lines of Option A or Option B in C(83) 27 or on some other basis;
- ii. whether the Government's decision should be announced by Written Answer tomorrow afternoon.

20 July 1983

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5 approved by
and signed in his absence

ROBERT ARMSTRONG

Lindsay Wilkinson

MINISTERS AND OFFICE HOLDERS : PROPOSED SALARIES

Office	Current Salary	TSRB Recommend	Inc	June 83 Salary	% Inc	Jan 84 Salary	% Inc	Jan 85 Salary	% Inc	Jan 86 Salary	% Inc	Jan 87 Salary	% Inc	Jan 87 % increase Over current	Jan 87 as % TSRB
Prime Minister	46,660	65,000	39.3	48,530	4.0	51,050		53,600		56,120		58,650		25.7	90.2
Lord Chancellor	52,500	62,000	18.1												
Mr Speaker	38,785	55,000	41.8	40,340	4.0	42,440		44,560		46,650		48,750		25.7	88.6
Cabinet Minister (C)	37,410	55,000	47.0	38,910	4.0	40,930		42,980		45,000		47,020		25.7	85.5
Cabinet Minister (L)	28,950	49,500	71.0	30,110	4.0	31,680		33,260		34,820		36,390		25.7	73.5
Minister of State (C)	29,035	38,000	30.9	30,410	4.7	31,990		33,590		35,170		36,750		26.6	96.7
Minister of State (L)	24,200	32,500	34.3	25,350	4.7	26,670		28,000		29,320		30,640		26.6	94.3
Parl. Secretary (C)	24,160	31,000	28.3	25,460	5.4	26,780		28,120		29,440		30,760		27.3	99.2
Parl. Secretary (L)	19,350	25,500	31.8	20,390	5.4	21,450		22,520		23,580		24,640		27.3	96.6
Attorney General	39,160	55,000	40.4	40,730	4.0	42,850		44,990		47,100		49,220		25.7	89.5
Solicitor General	33,810	44,000	30.1	35,160	4.0	36,990		38,840		40,670		42,500		25.7	96.6
Lord Advocate (C)	29,000	38,500	32.8	30,160	4.0	31,730		33,320		34,890		36,460		25.7	94.7
Solicitor General for Scot.	30,210	38,000	25.3	31,420	4.0	33,050		34,700		36,330		37,960		25.7	99.9
<u>In the House of Commons</u>															
Leader of the Opposition	35,035	50,000	42.7	36,490	4.2	38,390		40,310		42,200		44,100		25.9	88.2
Chief Whip	32,610	42,000	28.8	34,030	4.4	35,800		37,590		39,360		41,130		26.1	97.9
Dep. Chief Whip	29,035	38,000	30.9	30,410	4.7	31,990		33,590		35,170		36,750		26.6	96.7
Opposition Chief Whip	29,035	38,000	30.9	30,410	4.7	31,990		33,590		35,170		36,750		26.6	96.7
Government Whip	21,735	28,000	28.8	22,910	5.4	24,100		25,310		26,500		27,690		27.4	98.9
Assistant Opposition Whip	21,735	28,000	28.8	22,910	5.4	24,100		25,310		26,500		27,690		27.4	98.9
Chairman, Ways and Means	29,035	38,000	30.9	30,410	4.7	31,990		33,590		35,170		36,750		26.6	96.7
Dep. Chairman Ways and Means	26,585	34,500	29.8	27,920	5.0	29,370		30,840		32,290		33,740		26.9	97.8
<u>In the House of Lords</u>															
Chief Whip	24,200	32,500	34.3	25,350	4.7	26,670		28,000		29,320		30,640		26.6	94.3
Dep. Chief Whip	19,350	25,500	31.8	20,390	5.4	21,450		22,520		23,580		24,640		27.3	96.6
Government Whip	16,925	22,500	32.9	17,840	5.4	18,770		19,710		20,640		21,570		27.4	95.9
Leader of the Opposition (L)	19,350	25,500	31.8	20,390	5.4	21,450		22,520		23,580		24,640		27.3	96.6
Opposition Chief Whip	16,925	22,500	32.9	17,840	5.4	18,770		19,710		20,640		21,570		27.4	95.9
Chairman of Committees	24,200	32,500	34.3	25,350	4.7	26,670		28,000		29,320		30,640		26.6	94.3
Prin. Dep. Chairman of Cttees	21,750	29,000	33.3	22,780	4.7	23,960		25,160		26,340		27,530		26.6	94.9
Members of Parliament	14,510	19,000	30.9	15,308	5.5	16,106	5.2	16,904	5.0	17,702	4.7	18,500	4.5	27.5	97.4
Parliamentary Salary (included above where approp)	8,460	11,000	30.0	9,543	12.8	10,626	11.3	11,709	10.2	12,792	9.2	13,875	8.5	64.0	126.1



OFFICE OF MANPOWER ECONOMICS

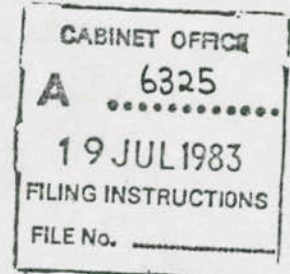
22 KINGSWAY
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Telephone 01-405 5944

19 July 1983

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R P Hatfield Esq
PS/Secretary of the Cabinet
Cabinet Office
70 Whitehall
LONDON SW1A 2AS



Dear Richard,

REVIEW BODY ON TOP SALARIES

Lord Plowden met Sir Robert Armstrong last week to discuss the latest TSRB reports. As I mentioned to you at Lord Plowden's request, he is concerned that he may not have dealt with one particular point arising from consideration of Report No. 19, containing the recommendations for senior civil servants and armed forces officers, and the judiciary.

Last year, when the Government abated the increases recommended for these groups in Report No. 18, it was made clear that it was doing so because the Government had felt obliged to cut back the salaries recommended by the DDRB for doctors and dentists. The position is set out on page 1 of Report No 19. Lord Plowden takes the view that, against this background, the credibility of the Review Body would be gravely damaged if the TSRB groups covered by Report No. 19 were to be accorded less favourable treatment this year than has already been announced for doctors and dentists.

You undertook to convey this view to Sir Robert Armstrong.

Yours sincerely
G E Johnson
G E JOHNSON

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1

Ref. A083/2147

MR BUTLER

Prime Minister
Subject to the Cabinet's
decision on top salaries, are you
content with the attached answer?

REB

The Cabinet will take a decision on the Report of the Top Salaries Review Body (No 19, on the Higher Civil Service, senior officers in the armed forces and the judiciary) at Cabinet tomorrow, on the basis of a note which (with the Prime Minister's agreement) I am circulating to the Cabinet today.

2. Since the draft Order in Council on Ministerial salaries is to be laid tomorrow afternoon, and a Written Answer is to be given by the Lord Privy Seal on Ministerial salaries, the Prime Minister will no doubt wish to announce the Government's decisions on top salaries at the same time. This can clearly be done by way of a Written Answer to an arranged Parliamentary Question; it does not need an oral statement.

3. I attach a draft Parliamentary Question and Answer accordingly.

4. The Question will need to be put down today for answer tomorrow; no doubt you will make the necessary arrangements.

5. The Answer comes in two versions, to match the two options provided for the Cabinet's consideration in my note (C(83) 27), and will need to be adjusted accordingly before delivery.



ROBERT ARMSTRONG

20 July 1983

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DRAFT PARLIAMENTARY QUESTION AND ANSWER ON TSRB REPORT NO 19

Question: To ask the Prime Minister if she will make a statement on Report No 19 of the Top Salaries Review Body about the pay of certain top salary groups.

Answer: Report No 19 of the Top Salaries Review Body on the salaries of the higher civil service, senior officers in the armed forces and the judiciary ^(Cmnd 8879) was laid before the House before the Election. In my reply of 12 May 1983 I said that the Report would be for consideration after the Election.

The Report recommends with effect from 1 April 1983 increases in the pay of members of these groups which are estimated to add about 6.9 per cent to the pay bill over and above the costs of implementing in full the Review Body's recommendations of 1 April 1982; in addition the Review Body urge that the abatement of their recommended pay for these groups which was made in 1982 and amounts to slightly less than 5 per cent should now be restored.

As I said last year in my reply of 12 May 1982, there are sound management reasons for bringing these salaries up to date quickly and for keeping them up to date in future. As last year, however, the immediate increases needed for this purpose are large and the Government has therefore felt obliged to delay the full implementation of the proposals.

~~Alternative versions of next paragraph:~~

~~Either~~ [Option A]

As in the case of this year's Report of the Doctors and Dentists Review Body, the Government accepts the recommended increases for this year with effect from 1 April 1983, and proposes to make good the abatement with effect from 1 January 1984. The estimated increase in the pay bill for these groups for the financial year 1983-84 is 8.2 per cent, at a cost of £4.1 million.

~~Or~~ [Option B]

The Government proposes to implement the recommended increase for this year with effect from 1 August 1983 rather than from 1 April 1983.

As in the case of this year's Report of the Doctors and Dentists Review Body, the Government proposes to make good the abatement with effect from 1 January 1984. The estimated increase in the pay bill for these groups for the financial year 1983-84 is 5.85 per cent, at a cost of £2.9 million.

These costs will be contained within the provision for total public expenditure in the Public Expenditure White Paper (Cmnd 8789).

The schedule of the existing salaries and the new salaries to come into effect from [1 April] ~~1 August~~ 1983 and 1 ~~July~~ ^{January} 1984 is set out below.

The Government are most grateful to Lord Plowden and the members of the Top Salaries Review Body for their Report and for the time and care which they have put into its preparation.

ANNEX

NB Second column of figures heading:

Salaries
wef
1 4 83 or
1 8 83

delete, on each page, either 1.4.83 or 1.8.83,
depending on which Option is agreed.

SENIOR PUBLIC SERVANTS

	Salaries currently in payment	Salaries wef- 1 1 8 3 1 8 8 3	Salary wef 1 1 8 4	Numbers in post at 1 1 8 3
<u>Senior Grades of the Higher Civil Service</u>				
Secretary of the Cabinet)	42,000	45,000	48,000	2
Permanent Secretary to the Treasury)				
Permanent Secretary	37,750	40,500	42,750	22
Second Permanent Secretary	35,000	37,500	39,500	11
Deputy Secretary	30,250	32,500	34,250	133
Under Secretary	25,000	26,750	27,750	490
<u>Senior Officers of the Armed Forces</u>				
Admiral of the Fleet)				
Field Marshal)	42,000	45,000	48,000	1
Marshal of the Royal Air Force)				
Admiral)				
General)	37,750	40,500	42,750	20
Air Chief Marshal)				
Vice-Admiral)				
Lieutenant General)	30,250	32,500	34,250	38
Air Marshal)				
Rear Admiral)				
Major General)	25,000	26,750	27,750	158
Air Vice-Marshal)				
<u>Judiciary</u>				
Lord Chief Justice	52,500	56,500	60,000	1
Master of the Rolls)				
Lord of Appeal)	48,250	51,750	55,000	11
Lord President of the Court of Session)				
(Scotland))				
Lord Chief Justice (Northern Ireland))	47,000	50,500	53,500	2
President of the Family Division)				
Vice Chancellor)				
Lord Justice of Appeal)	45,500	49,000	52,000	23
Lord Justice Clerk (Scotland))				
Lord Justice of Appeal (Northern Ireland))				
High Court Judge)				
Judge of the Court of Session (Scotland))	42,500	45,500	48,000	97
Puisne Judge (Northern Ireland))				

	Salaries currently in payment	Salaries wef. 1983 1 8 83	Salary wef 1 1 84	Numbers in post at 1 1 83				
President, Lands Tribunal (England and Wales)	30,000	32,250	33,750	4				
President, Transport Tribunal								
Chief Social Security Commissioner (England and Wales and Scotland)								
President, Industrial Tribunals (England and Wales)								
President, Industrial Tribunals (Scotland)	29,000	31,250	32,750	21				
Sheriff Principal (Scotland)								
Chairman, Scottish Land Court								
President, Lands Tribunal (Scotland)								
Official Referee (London)								
Vice-Chancellor of the County Palatine of Lancaster								
Recorder of Liverpool								
Recorder of Manchester								
Senior Circuit Judge (Newington Causeway)								
Recorder of Belfast (Northern Ireland)								
President of the Lands Tribunal (Northern Ireland)								
Chief Social Security Commissioner (Northern Ireland)								
Circuit Judge					27,750	29,750	31,000	440
Chief Metropolitan Magistrate								
Member, Lands Tribunal (England and Wales and Scotland)								
Social Security Commissioner (England and Wales and Scotland)								
Judge Advocate General								
Sheriffs A and B (Scotland)								
County Court Judge (Northern Ireland)								
Master of the Court of Protection								
Senior and Chief Masters and Registrars of the Supreme Court								
Registrar of Criminal Appeals								
President, Industrial Tribunal (Northern Ireland)								
Member, Lands Tribunal (Northern Ireland)								
Social Security Commissioner (Northern Ireland)								
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland)	25,750	27,750	29,000	19				
Chairman, Foreign Compensation Commission								
Vice-Judge Advocate General								

	Salaries currently in payment	Salaries wef 1 4 83 or 1 8 83	Salary wef 1 1 84	Numbers in post at 1 1 83
Masters and Registrars of the Supreme Court				
Metropolitan Magistrate				
Chairmen, Industrial Tribunals (England, and Wales and Scotland)				
Provincial Stipendiary Magistrate				
Resident Magistrate (Northern Ireland)	24,000	25,750	26,750	339
Chairman, Industrial Tribunal (Northern Ireland)				
Master, Supreme Court (Northern Ireland)				
County Court Registrars and District Registrars of the High Court				

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Prime Minister

①

Ref. A083/2136

PRIME MINISTER

*Provide the Agree circulation of
du Cann motion
goes through,
Yes, this note?*

TSRB Report on Top Salaries

MLs 19/7

When the Cabinet consider the TSRB Report on Top Salaries on Thursday, it may be convenient for them to have before them a note which reminds them of the background and sets out some options for consideration.

2. On the assumption that Mr du Cann's amendments relating to MPs' salaries are approved, and that the proposals now agreed on Ministerial salaries go ahead, I should be grateful to know whether you would like me to circulate to the Cabinet tomorrow a note on the lines of the attached draft.

ROBERT ARMSTRONG

19 July 1983

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DRAFT

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C(83)

COPY NO

July 1983

CABINET

TOP SALARY REVIEW BODY REPORT ON TOP SALARIES

Note by the Secretary of the Cabinet

The one remaining Review Body Report on which the Government has not yet announced a decision is Report No 19 of the Top Salaries Review Body (TSRB) on the pay of senior civil servants (Under Secretaries and above), senior officers in the armed forces (Major General and equivalent and above) and the judiciary.

Earlier decisions

2. The Review Body decisions already announced are as follows:

i. Armed Forces Pay Review Body (AFPRB)

Recommendations: new rates of pay for servicemen and women up to and including the rank of Brigadier and equivalent applicable from 1 April 1983, estimated to add 7.2 per cent to the pay bill for 1983-84.

Decision announced on 12 May 1983: recommendations accepted in full from 1 April 1983.

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ii. Doctors and Dentists Review Body (DDRB)

Recommendations: an average increase of 7 per cent over the 1982 recommended figures (including some special payments for junior doctors and dentists) to take effect from 1 April 1983. The abatement of their recommendations made in 1981, amounting to 2.7 per cent, to be made good from the same date.

Decision announced on 12 May 1983: 7 per cent increase accepted with effect from 1 April 1983; 2.7 per cent abatement to be made good on 1 January 1984.

iii. Top Salaries Review Body (TSRB) Report No 20 on MPs and Ministers

Recommendation: increase of 31 per cent for MPs and of around 30 per cent for most Ministers (47 per cent for Cabinet Ministers) from June 1983.

Outcome of Parliamentary debate on 19 July 1983: increases for MPs of: 5.5 per cent from June 1983; 5.2 per cent from January 1984; 5.0 per cent from January 1985; 4.7 per cent from January 1986; and 4.5 per cent from January 1987. * Ministers' salaries to be increased in the range 4.0-5.4 per cent from July 1983, and by the same percentages as MPs' salaries from January 1984 to January 1987.

Recommendations of TSRB Report No 19

3. TSRB Report No 19 recommended with effect from 1 April 1983 an overall average increase of 6.9 per cent for the top salary groups. In addition the TSRB strongly recommended that the abatement of their 1982 recommendations, dating back originally to an abatement made in 1980

* A further increase on 1 Jan 88 to be determined by the mt betw 8388V in a Civil Serv salary survey at or about 1/81 500.

and currently amounting to slightly less than 5 per cent, should also be made good with effect from 1 April 1983.

Earlier discussion by the Cabinet

4. When the Cabinet considered TSRB Report No 19 on 10 May 1983 (CC(83)17th Conclusions, Minute 2), the following points were made:
- i. there were sound management reasons for implementing the recommendations in TSRB Report No 19 in full and as soon as possible;
 - ii. since the TSRB abatement in 1982 had been justified by reference to the DDRB abatement, there was a strong case in principle for consistent treatment of the recommendations of the two Reports;
 - iii. there would be considerable advantage in getting rid of the TSRB abatement before the 1984 Report which could then start from a clean slate;
 - iv. the Government would be criticised for announcing an increase for top salaries groups at the beginning of a General Election campaign; since decisions were to be deferred on TSRB Report No 20 relating to MPs and Ministers, the proposals in both TSRB Reports should be considered after the Election; any increase in respect of 1983 for top salary groups would be backdated to 1 April.

Options for consideration

5. The Prime Minister has instructed me to set out for consideration by the Cabinet two alternative options. Both options are designed to ensure that in April 1984 the TSRB is able to make recommendations for the top salary groups without having to deal with any backlog, and will therefore be on the same footing as the AFPRB and the DDRB. The options are as follows:

Option A

This is based on the principle of consistency with the treatment of this year's DDRB Report. The current year increase of 6.9 per cent would be paid from 1 April 1983. The abatement of just under 5 per cent would be restored with effect from 1 January 1984. The cost within the financial year 1983-84 would be £4.1m (8.2 per cent) as compared with a cost of £6 million (11.9 per cent) if the TSRB recommendations were to be implemented in full.

Option B

This follows the principle of containing the percentage increase in cost within the current financial year at approximately the same level as the percentage increase in the cost of MPs' pay within the current financial year. The increase of 6.9 per cent for top salary groups would be paid from 1 August 1983 rather than 1 April 1983. The abatement of just under 5 per cent would be restored with effect from 1 January 1984. The cost within the financial year 1983-84 would be £2.9 million (5.85 per cent); the equivalent figure for MPs (allowing for a 5.5 per cent increase

²² from June 1983 and a ^{higher} 5.2 per cent increase from 1 January 1984) is 5.73 per cent. The 1983-84 cost of this option is less than half the 1983-84 cost of implementing the TSRB recommendations in full.

6. The table attached gives details of the precise salary increases for the various grades and offices if either of these two options were to be implemented.

7. The Cabinet is invited to consider the recommendations of TSRB Report No 19 in the light of their earlier discussion and the options set out above.

ROBERT ARMSTRONG

Cabinet Office

July 1983

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SENIOR PUBLIC SERVANTS

	Salaries currently in payment	Salaries wef- 1 4 83 or 1 8 83	Salary wef 1 1 84	Numbers in post at 1 1 83
<u>Senior Grades of the Higher Civil Service</u>				
Secretary of the Cabinet) Permanent Secretary to the Treasury)	42,000	45,000	48,000	2
Permanent Secretary	37,750	40,500	42,750	22
Second Permanent Secretary	35,000	37,500	39,500	11
Deputy Secretary	30,250	32,500	34,250	133
Under Secretary	25,000	26,750	27,750	490
<u>Senior Officers of the Armed Forces</u>				
Admiral of the Fleet) Field Marshal) Marshal of the Royal Air Force)	42,000	45,000	48,000	1
Admiral) General) Air Chief Marshal)	37,750	40,500	42,750	20
Vice-Admiral) Lieutenant General) Air Marshal)	30,250	32,500	34,250	38
Rear Admiral) Major General) Air Vice-Marshal)	25,000	26,750	27,750	158
<u>Judiciary</u>				
Lord Chief Justice	52,500	56,500	60,000	1
Master of the Rolls) Lord of Appeal) Lord President of the Court of Session) (Scotland)	48,250	51,750	55,000	11
Lord Chief Justice (Northern Ireland)) President of the Family Division)	47,000	50,500	53,500	2
Vice Chancellor) Lord Justice of Appeal) Lord Justice Clerk (Scotland)) Lord Justice of Appeal (Northern Ireland)	45,500	49,000	52,000	23
High Court Judge) Judge of the Court of Session (Scotland)) Puisne Judge (Northern Ireland)	42,500	45,500	48,000	97

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	Salaries currently in payment	Salaries wef 1 4 83 or 1 8 83	Salary wef 1 1 84	Numbers in post at 1 1 83
President, Lands Tribunal (England and Wales)	30,000	32,250	33,750	4
President, Transport Tribunal				
Chief Social Security Commissioner (England and Wales and Scotland)				
President, Industrial Tribunals (England and Wales)				
President, Industrial Tribunals (Scotland)	29,000	31,250	32,750	21
Sheriff Principal (Scotland)				
Chairman, Scottish Land Court				
President, Lands Tribunal (Scotland)				
Official Referee (London)				
Vice-Chancellor of the County Palatine of Lancaster				
Recorder of Liverpool				
Recorder of Manchester				
Senior Circuit Judge (Newington Causeway)				
Recorder of Belfast (Northern Ireland)				
President of the Lands Tribunal (Northern Ireland)				
Chief Social Security Commissioner (Northern Ireland)				
Circuit Judge	27,750	29,750	31,000	440
Chief Metropolitan Magistrate				
Member, Lands Tribunal (England and Wales and Scotland)				
Social Security Commissioner (England and Wales and Scotland)				
Judge Advocate General				
Sheriffs A and B (Scotland)				
County Court Judge (Northern Ireland)				
Master of the Court of Protection				
Senior and Chief Masters and Registrars of the Supreme Court				
Registrar of Criminal Appeals				
President, Industrial Tribunal (Northern Ireland)				
Member, Lands Tribunal (Northern Ireland)				
Social Security Commissioner (Northern Ireland)				
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland)					25,750	27,750	29,000	19
Chairman, Foreign Compensation Commission				
Vice-Judge Advocate General				

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	Salaries currently in payment	Salaries wef 1 4 83 or 1 8 83	Salary wef 1 1 84	Numbers in post at 1 1 83
Masters and Registrars of the Supreme Court				
Metropolitan Magistrate				
Chairmen, Industrial Tribunals (England, and Wales and Scotland)				
Provincial Stipendiary Magistrate				
Resident Magistrate (Northern Ireland)	24,000	25,750	26,750	339
Chairman, Industrial Tribunal (Northern Ireland)				
Master, Supreme Court (Northern Ireland)				
County Court Registrars and District Registrars of the High Court				

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Ref. A083/2136

PRIME MINISTER

TSRB Report on Top Salaries

When the Cabinet consider the TSRB Report on Top Salaries on Thursday, it may be convenient for them to have before them a note which reminds them of the background and sets out some options for consideration.

2. On the assumption that Mr du Cann's amendments relating to MPs' salaries are approved, and that the proposals now agreed on Ministerial salaries go ahead, I should be grateful to know whether you would like me to circulate to the Cabinet tomorrow a note on the lines of the attached draft.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

19 July 1983

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DRAFT

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COPY NO

July 1983

CABINET

TOP SALARY REVIEW BODY REPORT ON TOP SALARIES

Note by the Secretary of the Cabinet

The one remaining Review Body Report on which the Government has not yet announced a decision is Report No 19 of the Top Salaries Review Body (TSRB) on the pay of senior civil servants (Under Secretaries and above), senior officers in the armed forces (Major General and equivalent and above) and the judiciary.

Earlier decisions

2. The Review Body decisions already announced are as follows:

i. Armed Forces Pay Review Body (AFPRB)

Recommendations: new rates of pay for servicemen and women up to and including the rank of Brigadier and equivalent applicable from 1 April 1983, estimated to add 7.2 per cent to the pay bill for 1983-84.

Decision announced on 12 May 1983: recommendations accepted in full from 1 April 1983.

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ii. Doctors and Dentists Review Body (DDRB)

Recommendations: an average increase of 7 per cent over the 1982 recommended figures (including some special payments for junior doctors and dentists) to take effect from 1 April 1983. The abatement of their recommendations made in 1981, amounting to 2.7 per cent, to be made good from the same date.

Decision announced on 12 May 1983: 7 per cent increase accepted with effect from 1 April 1983; 2.7 per cent abatement to be made good on 1 January 1984.

iii. Top Salaries Review Body (TSRB) Report No 20 on MPs and Ministers

Recommendation: increase of 31 per cent for MPs and of around 30 per cent for most Ministers (47 per cent for Cabinet Ministers) from June 1983.

Outcome of Parliamentary debate on 19 July 1983: increases for MPs of: 5.5 per cent from June 1983; 5.2 per cent from January 1984; 5.0 per cent from January 1985; 4.7 per cent from January 1986; and 4.5 per cent from January 1987. Ministers' salaries to be increased in the range 4.0-5.4 per cent from July 1983, and by the same percentages as MPs' salaries from January 1984 to January 1987.

Recommendations of TSRB Report No 19

3. TSRB Report No 19 recommended with effect from 1 April 1983 an overall average increase of 6.9 per cent for the top salary groups. In addition the TSRB strongly recommended that the abatement of their 1982 recommendations, dating back originally to an abatement made in 1980

and currently amounting to slightly less than 5 per cent, should also be made good with effect from 1 April 1983.

Earlier discussion by the Cabinet

4. When the Cabinet considered TSRB Report No 19 on 10 May 1983 (CC(83)17th Conclusions, Minute 2), the following points were made:

- i. there were sound management reasons for implementing the recommendations in TSRB Report No 19 in full and as soon as possible;
- ii. since the TSRB abatement in 1982 had been justified by reference to the DDRB abatement, there was a strong case in principle for consistent treatment of the recommendations of the two Reports;
- iii. there would be considerable advantage in getting rid of the TSRB abatement before the 1984 Report which could then start from a clean slate;
- iv. the Government would be criticised for announcing an increase for top salaries groups at the beginning of a General Election campaign; since decisions were to be deferred on TSRB Report No 20 relating to MPs and Ministers, the proposals in both TSRB Reports should be considered after the Election; any increase in respect of 1983 for top salary groups would be backdated to 1 April.

Options for consideration

5. The Prime Minister has instructed me to set out for consideration by the Cabinet two alternative options. Both options are designed to ensure that in April 1984 the TSRB is able to make recommendations for the top salary groups without having to deal with any backlog, and will therefore be on the same footing as the AFPRB and the DDRB. The options are as follows:

Option A

This is based on the principle of consistency with the treatment of this year's DDRB Report. The current year increase of 6.9 per cent would be paid from 1 April 1983. The abatement of just under 5 per cent would be restored with effect from 1 January 1984. The cost within the financial year 1983-84 would be £4.1m (8.2 per cent) as compared with a cost of £6 million (11.9 per cent) if the TSRB recommendations were to be implemented in full.

Option B

This follows the principle of containing the percentage increase in cost within the current financial year at approximately the same level as the percentage increase in the cost of MPs' pay within the current financial year. The increase of 6.9 per cent for top salary groups would be paid from 1 August 1983 rather than 1 April 1983. The abatement of just under 5 per cent would be restored with effect from 1 January 1984. The cost within the financial year 1983-84 would be £2.9 million (5.85 per cent); the equivalent figure for MPs (allowing for a 5.5 per cent increase

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²² from June 1983 and a ^{higher} 5.2 per cent increase from 1 January 1984) is 5.73 per cent. The 1983-84 cost of this option is less than half the 1983-84 cost of implementing the TSRB recommendations in full.

6. The table attached gives details of the precise salary increases for the various grades and offices if either of these two options were to be implemented.

7. The Cabinet is invited to consider the recommendations of TSRB Report No 19 in the light of their earlier discussion and the options set out above.

ROBERT ARMSTRONG

Cabinet Office

July 1983

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SENIOR PUBLIC SERVANTS

	Salaries currently in payment	Salaries wef- 1 4 83 or 1 8 83	Salary wef 1 1 84	Numbers in post at 1 1 83
<u>Senior Grades of the Higher Civil Service</u>				
Secretary of the Cabinet) Permanent Secretary to the Treasury)	42,000	45,000	48,000	2
Permanent Secretary	37,750	40,500	42,750	22
Second Permanent Secretary	35,000	37,500	39,500	11
Deputy Secretary	30,250	32,500	34,250	133
Under Secretary	25,000	26,750	27,750	490
<u>Senior Officers of the Armed Forces</u>				
Admiral of the Fleet) Field Marshal) Marshal of the Royal Air Force)	42,000	45,000	48,000	1
Admiral) General) Air Chief Marshal)	37,750	40,500	42,750	20
Vice-Admiral) Lieutenant General) Air Marshal)	30,250	32,500	34,250	38
Rear Admiral) Major General) Air Vice-Marshal)	25,000	26,750	27,750	158
<u>Judiciary</u>				
Lord Chief Justice	52,500	56,500	60,000	1
Master of the Rolls) Lord of Appeal) Lord President of the Court of Session) (Scotland))	48,250	51,750	55,000	11
Lord Chief Justice (Northern Ireland)) President of the Family Division)	47,000	50,500	53,500	2
Vice Chancellor) Lord Justice of Appeal) Lord Justice Clerk (Scotland)) Lord Justice of Appeal (Northern Ireland))	45,500	49,000	52,000	23
High Court Judge) Judge of the Court of Session (Scotland)) Puisne Judge (Northern Ireland))	42,500	45,500	48,000	97

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Chairman, Scottish Land Court				
President, Lands Tribunal (Scotland)				
Official Referee (London)				
Vice-Chancellor of the County Palatine of Lancaster				
Recorder of Liverpool				
Recorder of Manchester				
Senior Circuit Judge (Newington Causeway)				
Recorder of Belfast (Northern Ireland)				
President of the Lands Tribunal (Northern Ireland)				
Chief Social Security Commissioner (Northern Ireland)	27,750	29,750	31,000	440
Circuit Judge				
Chief Metropolitan Magistrate				
Member, Lands Tribunal (England and Wales and Scotland)				
Social Security Commissioner (England and Wales and Scotland)				
Judge Advocate General				
Sheriffs A and B (Scotland)				
County Court Judge (Northern Ireland)				
Master of the Court of Protection				
Senior and Chief Masters and Registrars of the Supreme Court				
Registrar of Criminal Appeals				
President, Industrial Tribunal (Northern Ireland)				
Member, Lands Tribunal (Northern Ireland)				
Social Security Commissioner (Northern Ireland)	25,750	27,750	29,000	19
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland)				
Chairman, Foreign Compensation Commission				
Vice-Judge Advocate General				

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	Salaries currently in payment	Salaries wef 1 4 83 or 1 8 83	Salary wef 1 1 84	Numbers in post at 1 1 83
Masters and Registrars of the Supreme Court				
Metropolitan Magistrate				
Chairmen, Industrial Tribunals (England, and Wales and Scotland)				
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Resident Magistrate (Northern Ireland)	24,000	25,750	26,750	339
Chairman, Industrial Tribunal (Northern Ireland)				
Master, Supreme Court (Northern Ireland)				
County Court Registrars and District Registrars of the High Court				

SECRET

cc Parliament,
MPs' Pay, A+S

Ref. A083/1991

PRIME MINISTER

10

Top Salaries Review Body Reports

The Cabinet needs to take decisions on the following matters arising from reports by the Top Salaries Review Body (TSRB):

(i) Report No 20 relating to:

(a) pay, pensions and allowances of Members of Parliament;

(b) salaries of Ministers and other office holders;

(ii) Report No 19 relating to top salary groups, ie senior civil servants, senior armed forces officers, and the judiciary.

2. The Cabinet previously discussed these matters on Tuesday 10 May (CC(83) 17th Conclusions, Minute 2) and on Thursday 30 June (CC(83) 21st Conclusions).

HANDLING

3. The discussion can be taken in three separate sections, dealing first with MPs, then with Ministers, and finally with the top salary groups. Speaking notes are attached on each of these three items, summarising the proposals agreed by your meeting of Ministers on Tuesday 5 July. There are also tables giving the exact proposed salary figures; spare copies of these are available for handing round if necessary.

MPs' Pay

4. On MPs' pay I suggest that, after drawing on the speaking note to open the discussion, you call on the Lord Privy Seal and the Chief Whip to deploy the Parliamentary arguments in favour of the latest proposals.

5. The precise figure envisaged for the MPs' salary is £16,000, an increase of 10.27 per cent (10 per cent exactly would give a salary of £15,961). The net increase, after allowing for the increase in pension contribution, is actually less than 7 per cent - 6.74 per cent as the following table shows.

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FLAG A
FLAG B

FLAG C

<u>Salary</u>	<u>Gross</u>	<u>Pension</u>	<u>Net</u>
Current (£)	14,510	(6%) 870	13,640
Proposed (£)	16,000	(9%) 1,440	14,560
Increase (£)	1,490	570	920
Increase (%)	10.27		6.74

Nevertheless it is not far off the mark to talk of a net increase of around 7 per cent, since the salary increase will take effect from 13 June and the increased pension contribution will not take effect until later this year when the legislation has been enacted.

Ministerial Salaries

6. On Ministerial salaries the handling of the discussion will depend on whether the Cabinet approves the proposed increase for MPs of around 10 per cent gross. If so you will be able to set out the proposal for an equivalent across-the-board increase for Ministers and other office holders. The detailed salary figures are set out in table 2. The Treasury has rounded the figures to the nearest £100, but has taken the opportunity to round upwards for Parliamentary Secretaries and others currently earning less than £25,000 and to round downwards for the rest. The weighted average increase is 10 per cent.

7. In the discussion on 5 July there was some concern about the position of Parliamentary Secretaries, but it was eventually decided not to skew the distribution more than marginally in their favour. The resulting figure still leaves the Parliamentary Secretary's salary (if he is in the Commons) over £10,000 ahead of that of the backbench MP.

8. If the Cabinet opts for a lower increase than around 10 per cent gross for MPs, you will probably wish to seek the Cabinet's agreement to an across-the-board increase for Ministers and other office holders at the same level, with similar arrangements for rounding.

Top Salary Groups

9. On the top salary groups the handling of the discussion will depend on the decision reached on MPs and Ministers. If the proposals for an increase of around 10 per cent for both MPs and Ministers are

approved, you will be able to introduce the proposals approved at your meeting of Ministers on Tuesday 5 July, that there should be an increase of 6.9 per cent from 1 April 1983 and a further increase of just under 5 per cent (restoration of the abatement) from 1 January 1984, making an increase for 1983-84 of 8.1 per cent. The details are set out in table 1.

10. In case the question is raised because of the discussion on public expenditure, you can say that the cost of the proposed increases for the top salary groups in 1983-84 is small: about £4 million in all (£2.5 million for senior civil servants; £0.5 million for senior armed forces officers and £1.1 million for the judiciary). This compares with the saving of £100 million net which is being sought by the Chancellor of the Exchequer on pay and general administration.

11. If the Cabinet were to opt for a very substantially lower figure for MPs' pay (say 4 per cent gross), it would be for consideration whether the increase for the top salary groups should be lower (say the 6.9 per cent instalment from 1 April 1983 only). In logic there is no reason why a decision on the top salary groups which is desirable on management grounds should be affected. The main arguments for an increase as low as 4 per cent gross for MPs would be that most MPs have other sources of income and should not expect service as an elected representative to be treated as a remunerative career. These arguments do not apply to the top salary groups. On the other hand the Chief Whip might judge that his task of carrying the Government's motion for an increase as low as 4 per cent gross would be made more difficult if the increase for top salary groups was 8.1 per cent.

Timing of Announcements

12. Once the necessary decisions have been taken you will wish to consider carefully the timing of announcements. The main considerations affecting the various items are as follows:

- (a) MPs' pay: Further consultations may be thought desirable before the decision is announced; the most likely date for a debate would be 19 July, and the motion would need to be tabled some days before that - say 14 July.

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- (b) Ministerial salaries: It is not now thought necessary to submit the draft Order in Council to the Joint Committee on Statutory Instruments which will not be meeting until 20 July; the draft Order in Council can therefore be tabled at the same time as the motion on MPs' pay.
- (c) Top salary groups: The Government will wish to make its intentions clear before the debate on MPs' and Ministerial salaries.

13. The simplest course may be for the Government to make its intentions clear about all these matters simultaneously, as soon as any further consultations about MPs' pay have taken place. I think that this will call for an oral statement by you: either in the afternoon of 7 July, if you wish to give an immediate lead, or on Tuesday 12 July, or perhaps at the time when the motion and draft Order in Council are tabled on 14 July or thereabouts.

CONCLUSIONS

14. You will wish to reach conclusions on the following matters:
- (i) in relation to MPs:
- (a) whether the non-pay recommendations of the TSRB should be accepted, subject to an increase in the pension contribution of 3 per cent rather than 2 per cent;
- (b) whether MPs' pay should be increased from £14,510 to £16,000 (around 10 per cent gross);
- (ii) whether the salaries of Ministers and other office holders should be increased by 10 per cent across the board on the lines set out in table 2;
- (iii) whether the salaries of top salary groups should be increased by 6.9 per cent from 1 April 1983 and just under 5 per cent from 1 January 1984 (8.1 per cent for 1983-84), as set out in table 1;
- (iv) when and how the Government's decisions should be announced.

6 July 1983

approved by ROBERT ARMSTRONG

and signed in his absence

4

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Lindsay Wilkison

Top Salaries Review Body ReportsSpeaking NoteMPs' Pay

When the Cabinet discussed MPs' pay last week, it was agreed that the Chief Whip should take soundings of opinion amongst Government supporters on the following basis:

- the TSRB's non-pay recommendations would be accepted including the improvement in the pension accrual rate from 1/60th to 1/50th;
- the pension contribution would be increased from 6 per cent to 9 per cent rather than 8 per cent as recommended by the TSRB;
- MPs' pay should be increased by 4 per cent gross.

2. The Chief Whip has already reported on the results of his soundings to a small group of Ministers. He considers that, even allowing for the pay roll vote, the Government could probably not carry a motion for a pay increase of only 4 per cent. A substantial number of the Government's supporters would vote against such a motion, and they would be likely to be joined by members of the Opposition parties who would see advantage in embarrassing the Government.

3. In the face of this there are two options open to the Government. One is to press ahead with a motion for a 4 per cent increase and risk defeat. There might then be a Parliamentary majority for full implementation of the TSRB Report, an increase of 31 per cent. The argument for that course of action is that the Government would have made its position clear and the responsibility would be seen to rest with the House. The argument against is that such a vote would be seen as a defeat for the Government, that the Government's authority would be weakened not only in relation to the pay round but also in the House more generally, and that the public at large would (because of the large Government majority) tend to associate the Government with the House's decision. The small group of Ministers therefore came down against this option.



4. The other option is to put down a Government motion proposing an increase very much less than that recommended by the TSRB (and therefore in line with a statement which I made in the House on 12 May) which the Chief Whip believes could be carried. The Chief Whip considers that the lowest figure which would safely meet this requirement is an increase of around 10 per cent gross, which could be presented as less than 7 per cent net allowing for the increase in the pension contribution. An MP's salary would thus be increased from £14,510 to £16,000, compared with the figure of £19,000 recommended by the TSRB. The Government would be able to say that the percentage increase was only one-third of that (31 per cent) proposed by the TSRB.

Salaries of Ministers and Other Office Holders

5. If the Cabinet accepts the proposal for an increase of around 10 per cent gross in MPs' pay, it is necessary to consider what increases should be proposed for Ministers and other office holders (including the Speaker and the Leader of the Opposition). It is usual for the draft Order in Council on these salaries to be tabled for debate at the same time as the motion on MPs' pay.

6. There is an argument for a higher percentage increase for junior Ministers than MPs because of the financial sacrifices which they make in joining the Government. The small group of Ministers therefore considered whether to propose a larger percentage increase for junior Ministers, offset by a smaller percentage increase for more senior Ministers, within the 10 per cent overall figure. The conclusion was that this would complicate handling in the House and public presentation. The Parliamentary Secretary would still be getting a gross salary over £10,000 more than that of a backbench Member of Parliament.

7. It is therefore proposed that there should be an increase of 10 per cent across the board, although the percentage figure will in some cases be fractionally higher and in other cases fractionally lower because of rounding. In the case of Commons

Cabinet Ministers the proposal is for an increase from £37,410 to £41,400. This is a percentage increase of 9.9 per cent compared with the 47 per cent recommended by the TSRB.

Top Salary Groups

8. We deferred consideration of the TSRB Report on top salary groups (senior civil servants, senior armed forces officers and the judiciary) because of the Election.

9. In my statement last year about the salaries of those groups I said that there were sound management reasons for bringing them up to date quickly and for keeping them up to date in the future. We were not in fact able to bring them up to date last year, but abated the proposed increases by one-third to maintain consistency with the treatment of last year's report of the Doctors and Dentists Review Body (DDRB).

10. This year the TSRB has proposed an increase of 11.9 per cent, of which 6.9 per cent is the increase for the current year and just under 5 per cent is for making good the previous abatement. In the case of the DDRB this year where we had a similar abatement problem we implemented the current year increase (7 per cent) from 1st April 1983 and restored the abatement (in their case 2.7 per cent) from 1st January 1984. It is therefore proposed that we should follow the same pattern for the TSRB groups, ie an increase of 6.9 per cent from 1st April 1983 and restoration of the abatement from 1st January 1984. This would have the advantage that in next year's review the TSRB could have no backlog to take into account (for the first time for many years). The increase for 1983-84 would be 8.1 per cent.

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Under Secretary	25,000	26,750	27,750	490
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Admiral of the Fleet) Field Marshal) Marshal of the Royal Air Force)	42,000	45,000	48,000	1
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<u>Judiciary</u>				
Lord Chief Justice	52,500	56,500	60,000	1
Master of the Rolls) Lord of Appeal) Lord President of the Court of Session) (Scotland))	48,250	51,750	55,000	11
Lord Chief Justice (Northern Ireland)) President of the Family Division)	47,000	50,500	53,500	2
Vice Chancellor) Lord Justice of Appeal) Lord Justice Clerk (Scotland)) Lord Justice of Appeal (Northern Ireland))	45,500	49,000	52,000	23
High Court Judge) Judge of the Court of Session (Scotland)) Puisne Judge (Northern Ireland))	42,500	45,500	48,000	97

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President, Industrial Tribunals (England and Wales)				
President, Industrial Tribunals (Scotland)	29,000	31,250	32,750	21
Sheriff Principal (Scotland)				
Chairman, Scottish Land Court				
President, Lands Tribunal (Scotland)				
Official Referee (London)				
Vice-Chancellor of the County Palatine of Lancaster				
Recorder of Liverpool				
Recorder of Manchester				
Senior Circuit Judge (Newington Causeway)				
Recorder of Belfast (Northern Ireland)				
President of the Lands Tribunal (Northern Ireland)				
Chief Social Security Commissioner (Northern Ireland)				
Circuit Judge	27,750	29,750	31,000	440
Chief Metropolitan Magistrate				
Member, Lands Tribunal (England and Wales and Scotland)				
Social Security Commissioner (England and Wales and Scotland)				
Judge Advocate General				
Sheriffs A and B (Scotland)				
County Court Judge (Northern Ireland)				
Master of the Court of Protection				
Senior and Chief Masters and Registrars of the Supreme Court				
Registrar of Criminal Appeals				
President, Industrial Tribunal (Northern Ireland)				
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Social Security Commissioner (Northern Ireland)				
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland)				
Chairman, Foreign Compensation Commission				
Vice-Judge Advocate General				

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	Salaries currently in payment	Salary wef <u>1 4 83</u>	Salary wef <u>1 1 84</u>	Numbers in post at <u>1 1 83</u>
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Metropolitan Magistrate				
Chairmen, Industrial Tribunals (England, and Wales and Scotland)				
Provincial Stipendiary Magistrate				
Resident Magistrate (Northern Ireland)	24,000	25,750	26,750	339
Chairman, Industrial Tribunal (Northern Ireland)				
Master, Supreme Court (Northern Ireland)				
County Court Registrars and District Registrars of the High Court				

<u>Office</u>	<u>Current Salary</u> (1)	<u>TSRB recommended salary</u> (2)	<u>% Increase</u>	<u>Proposed Salary</u> (3)	<u>% Increase</u>
Prime Minister	46,660	65,000	39.3	51,300	9.9
Lord Chancellor	52,500	62,000	18.1	57,700	9.9
Mr Speaker	38,785	55,000	41.8	42,600	9.8
Cabinet Minister (Commons)	37,410	55,000	47.0	41,100	9.9
Cabinet Minister (Lords)	28,950	49,500	71.0	31,800	9.8
Minister of State (Commons)	29,035	38,000	30.9	31,900	9.9
Minister of State (Lords)	24,200	32,500	34.3	26,700	10.3
Parliamentary Secretary (Commons)	24,160	31,000	28.3	26,600	10.1
Parliamentary Secretary (Lords)	19,350	25,500	31.8	21,300	10.1
Attorney General	39,160	55,000	40.4	43,000	9.8
Solicitor General	33,810	44,000	30.1	37,100	9.7
Lord Advocate (Lords) (4)	29,000	38,500	32.8	31,900	10.0
Lord Advocate (Commons) (4)	-	44,000	-	37,100	-
Solicitor General for Scotland	30,210	38,500	25.8	33,200	9.9
<u>House of Commons</u>					
Leader of the Opposition	35,035	50,000	42.7	38,500	9.9
Chief Whip	32,610	42,000	28.8	35,800	9.8
Deputy Chief Whip	29,035	38,000	30.9	31,900	9.9
Opposition Chief Whip	29,035	38,000	30.9	31,900	9.9
Government Whip	21,735	28,000	28.8	24,000	10.4
Opposition Deputy Chief Whip	21,735	28,000	28.8	24,000	10.4
Chairman, Ways and Means	29,035	38,000	30.9	31,900	9.9
Deputy Chairman, Ways and Means	26,585	34,500	29.8	29,200	9.8
<u>House of Lords</u>					
Chief Whip	24,200	32,500	34.3	26,700	10.3
Deputy Chief Whip	19,350	25,500	31.8	21,300	10.1
Government Whip	16,925	22,500	32.9	18,700	10.5
Leader of the Opposition in the House of Lords	19,350	25,500	31.8	21,300	10.1
Opposition Chief Whip	16,925	22,500	32.9	18,700	10.5
Opposition Deputy Chief Whip (5)	-	16,500	-	13,800	-
Chairman of Committees	24,200	32,500	34.3	26,700	10.3
Principal Deputy Chairman of Committees	21,750	29,000	33.3	24,000	10.3
TOTAL SALARY BILL	3,125,390	4,212,500 (6)	34.8 (7)	3,438,700 (6)	10.0 (7)

Notes

- (1) Includes Parliamentary salary of £8,460 where appropriate
(2) Includes Parliamentary salary of £11,000 where appropriate
(3) Includes Parliamentary salary of £9,300 where appropriate
(4) Aligned with Solicitor General
(5) Currently not paid. Proposed salary maintains TSRB relationship with Opposition/
(6) Excludes Opposition Deputy Chief Whip (currently not paid) & Lord Advocate (Commons)
(7) Weighted by number of office holders

SUBJECT

originalce. Parliament Members,
MP's Pay Part 5.

9 to Notes, thank you
MUS 5/7

SECRET

PK

Mr Alison and others
To see (The PM)
is very anxious that no
word of this should get out

MR SCHOLAR

I attach for the record a brief note of this
morning's meeting. You may however prefer not
to circulate it but to rely on the Prime Minister's
report which she will be making to the Cabinet on
Thursday morning (on the basis of a speaking note to
be submitted by the Secretary of the Cabinet).

but I
thought
you

ought to be
aware.)

MUS 5/7

PLG

P L GREGSON

5 July 1983

SECRET

8 X

NOTE OF A MEETING HELD AT 10 DOWNING STREET ON TUESDAY 5 JULY 1983 AT 12.00 NOON
TO DISCUSS THE REPORTS OF THE TOP SALARIES REVIEW BODY

Present

Prime Minister
Lord President of the Council
Lord Chancellor
Chancellor of the Exchequer
Secretary of State for Defence
Lord Privy Seal
Chief Whip

Sir Robert Armstrong
Mr P L Gregson

The Prime Minister said that the purpose of the meeting was to consider what recommendations should be put to the Cabinet on Thursday 7 July about Report No 20 of the Top Salaries Review Body (TSRB) relating to MPs' pay and allowances and the salaries of Ministers and other office holders, and Report No 19 relating to top salary groups (senior civil servants, senior officers in the armed forces, and the judiciary).

MPs' pay

2. In discussion of MPs' pay it was reported that support on the Government side was likely to be insufficient to secure the certain passage of a Motion for an increase of 4 per cent. There was likely to be little or no support from the Members of the opposition parties and there would be likely to be an official Labour amendment calling for full implementation of the TSRB recommendations. Although there were advantages in the Government's being seen to press for an increase of only 4 per cent, there would be even greater disadvantages, both politically and in relation to the pay round, in a Government defeat on the issue. Even if a narrow victory were to be secured on this basis, there would be a degree of resentment among the Government's backbench supporters which would be unhelpful for the future. A Motion proposing an increase of 7 per cent gross (4 per cent net after allowing for the increased pension contribution) would probably not tip the balance of opinion far enough. The Government should however have a good prospect of winning if it put down a Motion for an increase in MPs' pay of 10 per cent gross (7 per cent net of the increased pension contribution).

Salaries of Ministers and other office holders

3. In discussion of Ministerial and other salaries, it was argued that there was much merit in weighting any increase in favour of junior Ministers. At present a Member suffered considerable financial loss when accepting junior Ministerial office, for example the loss of remunerative outside employment, and less favourable treatment in relation to the London allowance. No satisfactory solution was available for dealing with the latter problem. A higher percentage increase for junior Ministers than for MPs generally might however increase the difficulty of securing sufficient support for the Government's Motion on MPs' pay. The easiest solution might therefore be to propose an across the board increase for Ministers equivalent to that for MPs, ie 10 per cent gross, 7 per cent net. Although the increase for Cabinet Ministers was considerably larger in absolute terms than that for MPs, the abatement as compared with the 47 per cent increase recommended by the TSRB was greater than for junior Ministers and MPs.

Top salary groups

4. In discussion of the recommendations in TSRB Report No 19 relating to top salary groups, it was noted that there were advantages in the proposal considered by the Cabinet before the Election under which the current year increase of 6.9 per cent would be paid from 1st April 1983 and the 5 per cent abatement would be restored from 1st January 1984 making an increase for 1983-84 of 8.1 per cent. This was in line with the treatment of the recommendations of the Doctors and Dentists Review Body (DDRB), would get rid of the backlog before the next TSRB report, and could be defended in relation to the 10 per cent gross increase envisaged for MPs. Detailed questions relating to senior officers in the armed forces (for example the salaries of senior medical officers and the determination of salary for pension purposes) would need to be pursued bilaterally by the Secretary of State for Defence with the Chancellor of the Exchequer.

5. The Prime Minister, summing up the discussion, said that she would report to the Cabinet on Thursday 7 July that the group recommended as follows:

- i. that the pay of MPs should be increased by 10 per cent gross (7 per cent allowing for the 3 per cent increase for pension contributions) and that the non-pay recommendations in TSRB Report No 20 should be accepted;
- ii. that there should be an across the board increase in the salaries of Ministers and other office holders of the same percentage as that for MPs;
- iii. that the salaries of top salary groups should be increased by 6.9 per cent from 1st April 1983, with restoration of the 5 per cent abatement from 1st January 1984, making an increase for 1983-84 of 8.1 per cent.

5 July 1983

CONFIDENTIAL

MCS

Cabinet Office,
70 Whitehall,
London SW1 2AS

1 July 1983

PS(83) 18

Dear Private Secretary,

Top Salaries Review Body (TSRB) Reports

I attach a copy of TSRB Report No 19 (Cmnd 8879),
TSRB Report No 20 Volume 1 (Cmnd 8881-I) and TSRB Report No 20
Volume 2 (Cmnd 8881-II). I am circulating these to all members
of the Cabinet and the Chief Whip in advance of the Cabinet
meeting on Thursday 7 July 1983.

Yours sincerely,

(Signed) LINDSAY WILKINSON (MISS)

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kc questions



Her Majesty's Stationery Office

St Crispins, Duke Street
Norwich NR3 1PD

Telephone Norwich (0603) 22211

W J Sharp CB
Controller and Chief Executive

1 July 1983

F E R Butler Esq
Principal Private Secretary
No 10 Downing Street
Whitehall
London SW1

Michael Schdar

Dear Robin

Many thanks for your letter of 28 June about future arrangements for printing sensitive documents for No 10.

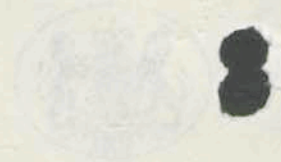
I am glad you feel able to deal direct with my press managers. I am particularly proud of the fact that none of the extremely valuable documents they receive direct from Treasury, the Revenue and Customs & Excise at certain times has ever leaked. These papers are kept very tightly within the Press and no-one else in HMSO - including myself - is informed of their content, unless this is unavoidably necessary in order to facilitate their production. So there should be no cause for concern on future occasions.

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

*Yours ever
Bill*

Keen Tel,
TSRB, P75

The Minister's Secretary Office
2000-2001
Department of Justice
Ottawa, Ontario



Michael J. Keen

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04 JUL 2003

(Original on ^{Wall} MP's Pay File)

Prime Minister

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Please also see new

P.01054

Correspondence on the Armed Forces

PRIME MINISTER

Review Body Report on Doctors and
(FACCA)

TSRB REPORT

dentists in the services; and a reply
to 2 questions you put to John Biffen

This meeting is to consider the two reports from the Top Salaries Review Body (TSRB) on top salary groups, and on parliamentary pay and allowances (including Ministerial salaries).

Ms 24/1
(FACCA) and (FACCA)
and two minutes from the Chancellor
= =

2. In his minute to you of 24 June the Lord Privy Seal recommends:

- that the TSRB report on parliamentary pay and allowances should be dealt with in the House in the normal way before the Summer Recess
- that the TSRB recommendations should be accepted as a guide to the level of MPs' salaries to be attained over four years and that the recommendations should be implemented in four equal stages with annual uprating on the lines envisaged in the last Parliament
- that the TSRB recommendations on allowances and pensions should be accepted in full.

3. The Chancellor of the Exchequer's views on the recommendations affecting top salary groups, MPs' pay and allowances, and Ministerial salaries, are set out in minutes to you of 29 June.

MAIN ISSUES

4. It may be convenient to structure the meeting as follows:

- i. pay of top salary groups;
(ie senior civil servants, senior officers in the armed forces and the judiciary)

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- ii. pay and allowances of MPs:
 - a. parliamentary tactics;
 - b. substance of the recommendations on pay;
 - c. substance of the recommendations on pensions and allowances;
- iii. salaries of Ministers and other office holders.

Top salary groups

5. The Cabinet considered the TSRB's recommendations about top salary groups on Tuesday 10 May (CC(83)17th Conclusions, Minute 2) on the basis of a note by the Secretary of the Cabinet (C(83)14) which contained recommendations from an ad hoc meeting of Ministers under your chairmanship the previous week. The paper proposed: that the AFPRB recommendations should be accepted; that the DDRB recommendations for the current year increase (7 per cent) should be implemented from 1 April 1983 but that the restoration of the previous abatement (2.7 per cent) should be deferred to 1 January 1984; and that the TSRB recommended current year increase (6.9 per cent) should be implemented from 1 April 1983 but that the restoration of the previous abatement (just under 5 per cent) should be deferred until 1 January 1984. The Cabinet accepted the proposals relating to the AFPRB and the DDRB. In relation to the top salary groups they accepted that there was a strong case in principle for the proposal in C(83)14 but thought that the Government would be criticised for announcing increases for these groups at the beginning of a General Election campaign and a decision was therefore deferred.

6. The Chancellor of the Exchequer and the Secretary of State for Employment are likely to point out that restoring the 5 per cent abatement, even if deferred until 1 January 1984 will attract some criticism when the Government is trying to encourage progressively lower pay settlements. On the other hand the present pay round is virtually over and the new pay round does not get under way until the autumn. Unless it was thought that these groups should have a permanent 5 per cent abatement in their pay (which would be bad on management grounds as well as difficult to defend in relation to the doctors and dentists), there is a strong case for getting this backlog out of the way in January 1984 and the Chancellor is reluctantly prepared to accept this (his Option B).

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Pay and allowances of MPs

a. Parliamentary tactics

7. The first issue is whether the aim should be to dispose of the matter of MPs' pay before the Summer Recess. The timetable is however very tight. Present advice is that it can be achieved so long as the Cabinet reaches firm decisions on 7 July and the House does not rise before the last week of July. If however the House were to rise on 22 July it is not clear whether there would be a feasible timetable.

8. The second issue is how far the responsibility for an increase in MPs' pay and allowances should rest, and be seen to rest, with Parliament itself rather than the Government. These matters are referred to in paragraphs 4 and 5 of the Lord Privy Seal's minute.

9. There appear to be two responsibilities that fall inescapably on the Government. The Government has to put down a Motion for debate by the House of Commons; and the Government has to take the necessary administrative steps. The question for consideration is how far, in carrying out these responsibilities, the Government allows itself to be guided by the expressed opinion of the House. The situation is complicated because two Motions are required: an "expression of opinion" Motion which can be freely amended by the House and an accompanying "effective" (Queen's recommendation signified) Motion which cannot be amended. The possibility therefore exists for the Government to accept the view expressed in an amended "expression of opinion" Motion by bringing forward a new "effective" Motion.

10. The meeting will therefore need to consider how far the Government ought to take advantage of the procedural possibilities in order to place the onus on the House rather than the Government. In theory it would be possible for the Government to table an unforthcoming Motion which demonstrates a desire to restrain increases in MPs' pay but which has a strong chance of being rejected by the House. If the House voted in favour of full acceptance of the TSRB recommendations, the Government could then give effect to the wishes of the House, having made its own position clear. I understand that the Lord Privy Seal is opposed to a manoeuvre of this kind. If this option is ruled out, the Government must at the very least put forward a Motion which is a reasonable response to the TSRB Report and has some chance of

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acceptance by the House. The Government does not however need to put down a Motion which is so forthcoming that it is bound to be accepted.

b. Substance of the recommendations on pay

11. So far the Government's stated attitude to the TSRB recommendations on MPs' pay is to hope that MPs, like members of the Cabinet, will regard the "increases proposed" as too high (your Written Answer of 12 May). This leaves open the question of whether the TSRB's view about the right level of MPs' pay is being challenged or whether the objection is, rather to the size of the immediate increases proposed (31 per cent in the case of MPs and most Ministers, 47 per cent for Commons Cabinet Ministers).

12. The two main options are therefore:

- i. setting MPs' pay at a level below that proposed by the TSRB (favoured by the Chancellor of the Exchequer)
- ii. staged implementation of the full TSRB recommendations (favoured by the Lord Privy Seal).

13. The problem about i. is that the Government has so far gone along with the view that the best method for arriving at the right level of MPs' pay is a review by the TSRB every four years or so. It has also so far been common ground that the salary of an MP should provide adequate remuneration for a full-time Member who has no other source of income. If the Government are to reject the TSRB recommendations not just on the timing of implementation but also on substance, they will need to have some grounds for doing so. The TSRB explain at some length the rationale for their recommendations. They commissioned a study from Hay MSL who advised a figure of £18,700. Updating of the £12,000 recommended by the TSRB in 1979 and accepted in principle by the Government at that time would give £19,500 by reference to earnings and £18,500 by reference to movements in prices. Less weight can be placed on the TSRB's questionnaire to MPs or on the study the TSRB commissioned of the remuneration of legislators overseas. Nevertheless the selection of any figure less than the £19,000 proposed by the TSRB will be seen as an arbitrary judgement by the Government.

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14. The problem about ii. (staging) is that it prolongs the agony and would mean higher than average increases for MPs over several years especially as the staged instalments would have to be accompanied by an annual uprating in line with the average change in public service pay, as the Government envisaged in the last Parliament. The way in which the Lord Privy Seal's proposal would work out in practice is set out in the Annex to this minute.

15. You will want the meeting first to make a strategic choice as between the broad options of a lower increase or staging. When that has been decided you will want the meeting to settle on a preferred variant of the chosen option, eg:

Lower increase

- halfway between £14,510 and £19,000 - say £16,750 (15.4 per cent)?
- or some higher figure - say £17,500 (20.7 per cent) or £18,000 (24.1 per cent)?
- should there be annual uprating from 1984 onwards?

or Staging

- how many instalments?
- size of instalments?
- should there be annual uprating from 1984 onwards and, if so, on what basis?

c. Substance of the recommendations relating to pensions and allowances

16. There is a large number of complex recommendations relating to pensions and allowances costing £5½-6 million, about double the cost of the pay increases. The Lord Privy Seal argues in favour of accepting in full the recommendations relating to allowances on the ground that Members attach great importance to them and they are less likely to cause presentational difficulty.

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17. The main issue for discussion is the proposed 1/50th accrual rate for pensions. The Chancellor of the Exchequer will question whether the compensating increase in the contribution from 6 per cent to 8 per cent proposed by the TSRB is adequate bearing in mind that the Government has a Manifesto commitment to seek "realistic contributions" to public sector pension schemes. A judgement has to be made about how the total cost of the pension scheme should be shared between the "employer" and the "employee". The proposal that MPs should pay 8 per cent out of a total cost of 22 per cent is not out of line with the 11 per cent contributions made by the armed forces, police and firemen to their Schemes which cost 30 per cent. It is however lower than the proportion paid by civil servants (8 per cent out of 20 per cent). The Chancellor is therefore disposed to bid for a contribution of 8.8 per cent or 9 per cent. The Lord Privy Seal may feel however that the justification for such a change is not compelling, especially if the Government is unforthcoming about MPs' pay.

18. You will recall that the TSRB has recommended changes in the resettlement allowance and that your Written Answer of 12 May said that the Government believed "that any decisions which are reached in the new Parliament about resettlement arrangements should apply also to the Members of the present Parliament in relation to their present salaries".

Salaries of Ministers and other office holders

19. The proposed increases in the salaries of Ministers and other office holders are summarised in Annex C to the Lord Privy Seal's minute. The increase in the Parliamentary salary for Ministers and other paid office holders in the Commons, from £8,460 to £11,000, is 30 per cent, approximately the same as that for MPs. The increases proposed for junior Ministers in both the Commons and the Lords are also broadly of the same order. The percentage increase for Commons Cabinet Ministers (47 per cent) is greater than that for other Ministers, partly because the updating increases applied to their salaries in 1980 and 1981 were 5 per cent rather than the 9.6 per cent applied to other Ministers and MPs. There is also a particularly large increase for Cabinet Ministers in the Lords (71 per cent). Lords Ministers generally do not receive a Parliamentary salary. The Government decided in 1981 that in order to compensate in part for this Lords Ministers below the rank of

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Cabinet Minister should have higher salaries than the equivalent Commons Minister. The TSRB have proposed the same treatment now for the Lords Cabinet Ministers.

20. There are two other points which need to be borne in mind about Ministerial salaries. You and the Lord Chancellor have elected not to receive your current salaries of £46,660 and £52,500 respectively but to receive instead the same salaries as your Cabinet colleagues. Secondly, although resolutions about MPs' pay can be retrospective (for example to 13 June 1983, the operative date of the TSRB Report), the Order in Council relating to Ministerial salaries must, in accordance with the Statutory Instruments Act 1946, be laid on or before the date on which it comes into effect. The normal way of proceeding would be to seek the approval of both Houses to the draft Order in Council on Ministerial salaries at the same time as the debate on the Motions about MPs' pay and allowances.

21. The Government has already made it clear in your Written Answer of 12 May that it regards the proposed increases for Cabinet Ministers as "of a magnitude which they could not possibly accept". Whatever is proposed for Ministers and other office holders will need to have some defensible relationship to the proposals in the Government's Motion on MPs' pay, even if the Government leaves open the possibility that MPs may be allowed to amend upward the proposals relating to themselves. The meeting will therefore need to consider:

- i. whether the proposals relating to the salaries of Ministers and other office holders should follow the same pattern as the proposals relating to MPs' pay;
- ii. if not, what the differences should be.

22. The various options which the Chancellor of the Exchequer has worked out will need to be discussed, including your suggestion about increasing the proportion of Ministers' pay accounted for by the Parliamentary salary.

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CONCLUSIONS

23. You will wish the meeting to reach conclusions to the maximum extent possible on the following points:

- i. whether the TSRB recommendations for top salary groups should be implemented on the basis considered by the Cabinet on 10 May, ie 6.9 per cent from 1 April 1983 and restoration of the 5 per cent abatement on 1 January 1984;
- ii. whether the aim should be to deal with MPs' pay before the Summer Recess;
- iii. what should be the content of the Government Motion relating to MPs' pay;
- iv. what should be the content of the Government Motion relating to MPs' pensions and allowances;
- v. what should be the content of the draft Order in Council about the salaries of Ministers and other office holders.

- (vi) whether the AFPRB Report on armed forces doctors and dentists should be accepted - see letter from MOD of 27/6 and Treasury reply of 29/6
24. You will wish also to consider:
- i. the handling of these matters at the Cabinet on 7 July; (ie what papers should be before the Cabinet and who should submit them)
 - ii. the timing of announcements about the Government's proposals relating to top salary groups, MPs and Ministers.

PLG
P L GREGSON

29 June 1983

MPs' PAY

The table below shows the effect of staging the increase in MPs' pay recommended by the TSRB in four equal stages; as well as increasing the recommended total (£19,000) in 1984/85, 1985/86 and 1986/87 by an amount representing the average change in pay for appropriate public sector groups. For purely illustrative purposes this uprating figure is assumed to be 4% for each of the years in question.

FY	A		B		C	
	1983/84 TSRB recom- mendation (staged)	Resulting salary	Uprating increase	Additional amount payable (Compounded)	Total Increase	Total Salary Payable
1983/84	7%	£15,526	-	-	7%	£15,526
1984/85	7%	£16,613	4% ⁽¹⁾	£760	11.9%	£17,373
1985/86	7%	£17,776	4%	£1,550 (£760+£790)	11.7%	£19,326
1986/87	7%	£19,020	4%	£2,372 (£760+£790+ £822)	10.7%	£21,392 ⁽²⁾

(1) Purely illustrative assumption

(2) £19,000 x 4% pa over 3 years

SECRET



Econ Pol:
TSRB:
PK.S
7A

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

PRIME MINISTER

TOP SALARY REVIEW BODY REPORT NO 19

As you know, we have yet to take decisions on the recommendations made in Top Salary Review Body (TSRB) Report No 19 concerning the higher Civil Service, Senior Officers of the Armed Forces and the Judiciary. This Report was laid before Parliament shortly before the dissolution in May, without comment by the Government.

The proposals

2. The Report recommends average increases over the 1982 recommended figures of 6.9 per cent. In addition, it recommends that the abatement applied by the Government to the 1982 recommendations should now be made good. This amounts to slightly less than 5 per cent on average. The total increases recommended thus amount to slightly less than 11.9 per cent on average.
- 3. Annex A shows the salaries recommended for 1982, the salaries currently in payment and the salaries recommended for 1983. New salaries would be payable from 1 April 1983. The cost of implementing the Report's proposals in full would be £2.1 million per annum for the higher Civil Service, £0.6 million for Senior Members of the Armed Forces and £3.3 million for the Judiciary. This expenditure would be spread over a number of Departmental Votes and, in the case of a large part of the Judiciary, the Consolidated Fund. I would look to colleagues to contain the costs within their existing cash limits on the same basis as we agreed for the generality of the non-industrial Civil Service pay settlement in April.
4. It is worth noting that this Report is one of four. We have also had the Report of the Armed Forces Pay Review Body (AFPRB) and the Doctors' and Dentists' Review Body (DDRB), and also the TSRB Report on MPs' and Ministers' Pay and Allowances. Before the Election, we accepted the Report of the AFPRB,



which added 7.2 per cent to the 1983-84 pay bill. We accepted the recommendations of the DDRB which added about 7 per cent to the cost of the 1982 recommendations, and also agreed that the existing abatement of 2.7 per cent should be made good from 1 January 1984. We have yet to take a decision on MPs' and Ministers' pay and allowances, on which you have the Lord Privy Seal's minute of 24 June.

Top Public Servants - the options

5. I believe there are broadly three courses open to us in respect of TSRB Report No 19:-

- a. To implement the Report's recommendations in full from 1 April 1983.
- b. To implement the Report's recommendations in full but in two stages, on the lines adopted for the DDRB Report.
- c. To award less than the Report recommends.

6. Option A would be consistent with your statement, when commenting on the last Report, that there were "sound management reasons for bringing [the salaries of this group] up to date quickly and for keeping them up to date in future". The Council of Civil Service Unions have urged this option and there is something to be said for wiping the slate clean.

7. On the other hand this would conflict with the line we have taken on the DDRB. Moreover, increases of 11.9 per cent on average would stick out against the general run of current pay settlements (around 5 to 6 per cent) and could adversely affect the next pay round.

8. Option B would follow the line adopted for the DDRB Report by implementing the average increases of 6.9 per cent from April 1983 but making good the 5 per cent abatement from 1 January 1984. The effect would be to reduce the average increase in pay in 1983-84 from 11.9 per cent to 8.1 per cent.



The cost in 1983-84 would be around £4.1 million, compared with £6 million under Option A (though for later years, of course, the costs of Option A and Option B are the same).

9. Moving to Option C, we could choose any figure below 11.9 per cent. For instance, we could effectively set the Report on one side and propose an award of, say, 5 per cent, on the grounds that this represented the percentage increase being paid to a large number of Civil Service employees and other groups. However, the most obvious course would be to accept the recommended average increase of 6.9 per cent but not make good the abatement of 5 per cent. In terms of effective percentage increase and costs, the difference between this and Option B is not great for 1983-84, although it would yield bigger savings in later years, if it could be made to stick - the TSRB next year would certainly return to the question.

10. My own preference is for a variant of Option C - immediate implementation of the 6.9 per cent average increase but no restoration of the 5 per cent abatement. I believe this would have the least damaging effect on the coming pay round and would put least pressure on public expenditure.

11. Nevertheless, I recognise from our discussion in Cabinet before the Election that colleagues may take a different view and the DDRB precedent is, of course, a strong one. I would therefore be reluctantly prepared to accept Option B, provided the decision could be announced before the Recess. It could then be seen as an issue left over from the 1982-83 pay round, rather than as a first step in the 1983-84 round. Whatever we decide, I shall look to colleagues to absorb the costs on the basis set out at the end of paragraph 3 above.

12. I am sending copies of this minute to the Lord President, the Lord Chancellor, the Lord Privy Seal, the Secretary of State for Defence, the Secretary of State for Employment, the Chief Whip and Sir Robert Armstrong.

Margaret O'Hara

(N.L.)

29 June 1983

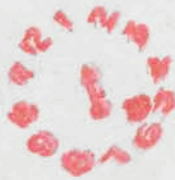
*[Approved by the Chancellor and signed
in his absence]*

	Salaries recommended as appropriate at 1 April 1982	Salaries currently in payment	Salaries recommended as appropriate at 1 April 1983	Numbers in post at 1 January 1983
	£	£	£	
<u>Senior grades of the higher civil service</u>				
Secretary of the Cabinet	) 45,000	42,000	48,000	2
Permanent Secretary to the Treasury)			
Permanent Secretary	40,000	37,750	42,750	22
Second Permanent Secretary	37,000	35,000	39,500	11
Deputy Secretary	32,000	30,250	34,250	133
Under Secretary	26,000	25,000	27,750	490
<u>Senior officers in the armed forces</u>				
Admiral of the Fleet)			
Field Marshal	) 45,000	42,000	48,000	1
Marshal of the Royal Air Force)			
Admiral)			
General	) 40,000	37,750	42,750	20
Air Chief Marshal)			
Vice-Admiral)			
Lieutenant General	) 32,000	30,250	34,250	38
Air Marshal)			
Rear Admiral)			
Major General	) 26,000	25,000	27,750	158
Air Vice-Marshal)			
<u>Judiciary</u>				
Lord Chief Justice	56,000	52,500	60,000	1

Master of the Rolls)				
Lord of Appeal	)	51,500	48,250	55,000	11
Lord President of the Court of Session (Scotland))				
Lord Chief Justice (Northern Ireland)	)	50,000	47,000	53,500	2
President of the Family Division)				
Vice Chancellor)				
Lord Justice of Appeal	)	48,500	45,500	52,000	23
Lord Justice Clerk (Scotland))				
Lord Justice of Appeal (Northern Ireland))				
High Court Judge)				
Judge of the Court of Session (Scotland)	)	45,000	42,500	48,000	97
Puisne Judge (Northern Ireland))				
President, Lands Tribunal (England and Wales))				
President, Transport Tribunal)				
Chief Social Security Commissioner (England and Wales and Scotland)	)	31,500	30,000	33,750	4
President, Industrial Tribunals (England and Wales))				
President, Industrial Tribunals (Scotland))				
Sheriff Principal (Scotland))				
Chairman, Scottish Land Court)				
President, Lands Tribunal (Scotland))				
Official Referee (London))				
Vice-Chancellor of the County Palatine of Lancaster	)	30,500	29,000	32,750	21
Recorder of Liverpool)				
Recorder of Manchester)				
Senior Circuit Judge, Newington Causeway)				
Recorder of Belfast (Northern Ireland))				
President of the Lands Tribunal (Northern Ireland))				
Chief Social Security Commissioner (Northern Ireland))				

Circuit Judge)				
Chief Metropolitan Magistrate)				
Member, Lands Tribunal)				
(England and Wales and Scotland))				
Social Security Commissioner)				
(England and Wales and Scotland))				
Judge Advocate General)				
Sheriffs A and B (Scotland))				
County Court Judge (Northern Ireland)	)	29,000.	27,750	31,000	440
Master of the Court of Protection)				
Senior and Chief Masters and)				
Registrars of the Supreme Court)				
Registrar of Criminal Appeals)				
President, Industrial Tribunal)				
(Northern Ireland))				
Member, Lands Tribunal)				
(Northern Ireland))				
Social Security Commissioner)				
(Northern Ireland))				
Regional Chairmen, Industrial Tribunals)				
(England and Wales and Scotland))				
Chairman, Foreign Compensation	)	27,000	25,750	29,000	19
Commission)				
Vice-Judge Advocate General)				
Masters and Registrars of the Supreme)				
Court)				
Metropolitan Magistrate)				
Chairmen, Industrial Tribunals)				
(England and Wales and Scotland))				
Provincial Stipendiary Magistrate)				
Resident Magistrate (Northern	)	25,000	24,000	26,750	339
Ireland))				
Chairman, Industrial Tribunal)				
(Northern Ireland))				
Master, Supreme Court (Northern)				
Ireland))				
County Court Registrars and District)				
Registrars of the High Court)				

29 JUN 1983





10 DOWNING STREET

From the Principal Private Secretary

28 June 1983

Dear Bill,

Thank you for your letter of 27 June about the publication of the Review Body reports just before the dissolution of Parliament.

Our problem was that the Prime Minister was most anxious that the contents of all four reports should be confined to the closest possible circle. Given the propensity of such things to leak, therefore, we kept access to the reports to the absolute minimum until the last possible moment. It was most unfortunate that, once we were able to widen the circle, it became necessary to proceed very rapidly towards publication. This, of course, put the whole machinery under great pressure.

We shall, no doubt, face all these problems again next year, and in future years. Your letter is most helpful, and it is particularly useful to have the names of the people at HMSO security press with whom we can deal direct. We shall certainly aim to involve the practitioners at HMSO at the earliest possible date.

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

Yours ever,

Robin Butler

W.J. Sharp, Esq., C.B.
Her Majesty's Stationery Office.

059

Charles Pl. could you see MCS.



W J Sharp CB
Controller and Chief Executive

Her Majesty's Stationery Office

St Crispins, Duke Street
Norwich NR3 1PD

Telephone Norwich (0603) 22211

27 June 1983

F E R Butler Esq
Principal Private Secretary
No 10 Downing Street
Whitehall
London SW1

Michael Scholar

How should I reply, please?

Don Rubin

FERB 27.6.

1. Sorry to trouble you about a procedural matter, but Murdo Maclean and I think it important that the appropriate people in No 10 should be briefed on HMSO capability.
2. The occasion which gives rise to this letter was the publication of the 4 reports on pay and allowances just before the recent dissolution of Parliament. I returned to my office from a meeting late afternoon on Friday 6 May to find No 10 wanting to speak to me. Their message was that the PM wanted these 4 reports published by close of play the following Wednesday, 11 May. They had felt unable to speak to anyone else in my absence because of security considerations, and stressed that the reports must be printed in the most secure conditions.
3. Unfortunately the HMSO security press - the one which does the Budget - still has the old letter press technology which requires type setting and hot metal production. Taken with the fact that the printing industry in the normal course go home early on Friday afternoon, there was no way in which the reports could have been printed by the following Wednesday evening. Murdo Maclean and I had a fairly robust exchange about this, but it subsequently emerged that he himself had not been alerted to the imminent problem and had not therefore been able to proffer advice to No 10.
4. In the end the reports were produced in time reprographically by HMSO and the Treasury in sufficient quantity to meet Parliamentary requirements, followed by later publication in the normal printed format for wider distribution and sale.
5. I suggest 2 points for consideration:
 - a. the HMSO security press is completely reliable - nothing has ever leaked from it. There is no reason why No 10 should not deal direct with it, as do the Treasury on the Budget. The manager is R M Gair. There is also no reason why No 10 should not speak direct with complete confidence to any of the following 4 HMSO staff on any production matters:

K A Allen - Director General of Printing
E B MacKendrick - Director of Production
D G Forbes - Director of Parliamentary and Classified Printing
F E Grigson - Parliamentary Liaison Officer

- b. involvement of HMSO at the earliest possible date, either direct or through Murdo Maclean, who is of course vastly experienced in these matters and holds a weekly liaison meeting with our Parliamentary Liaison Officer. It is probably rare for No 10 to become involved directly in printing problems, and I'm sure it would be helpful to involve the practitioners in good time.
6. I am sending a copy of this letter to Murdo Maclean.

Yours ever
Bill

28 JULY 1951



COMMERCIAL



FILE

cc: Hunt

10 DOWNING STREET

THE PRIME MINISTER

17 May, 1983

Dear Lord Plowden,

I am writing to thank you for the reports which you recently submitted on Parliamentary pay and allowances and on the salaries of those senior public servants within your standing terms of reference.

As you will know, the Government has decided to postpone decisions on these reports until after the election. I am most grateful to you and your colleagues for the careful work which has gone into the preparation of both these reports. It is most valuable to have the advice of your Review Body on these matters.

Yours sincerely
Margaret Thatcher

The Lord Plowden,

RM

CONFIDENTIAL



Econ. Pol.

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

Michael Scholar, Esq
Private Secretary
No 10 Downing Street
LONDON SW1

16 May 1983

Dear Michael,

REVIEW BODY ON TOP SALARIES

... I enclose a draft letter for the Prime Minister to send to Lord Plowden, acknowledging the recent TSRB reports, as requested in your letter of 12 May. You will see we have made no reference to the timing of Lord Plowden's retirement as Chairman of the TSRB.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA

p1 type letter

DRAFT LETTER FOR SIGNATURE BY THE PRIME MINISTER TO:

Lord Plowden
Chairman
Review Body on Top Salaries
Office of Manpower Economics
22 Kingsway
LONDON
WC2B 6JY

I am writing to thank you for the reports which you recently submitted on Parliamentary pay and allowances and on the salaries of those senior public servants within your standing terms of reference.

2. As you will know, the Government has decided to postpone decisions on these reports until after the election. ~~[Although we have expressed our reservations about the recommendations on Ministerial and Parliamentary pay]~~ I am most grateful to you and your colleagues for the careful work which has gone into the preparation of both these reports. It is most valuable to have the advice of your Review Body on these matters.

ELON POL: TS RB

PH 5



FILE
bc Charlotte
Peter LeCheminant

10 DOWNING STREET

From the Private Secretary

12 May 1983

Review Body Reports

I am writing on behalf of the Prime Minister to thank you and all those concerned for all your efforts in getting the Review Body Reports ready for publication today, in what must be record time. We could not have managed this without you, and we are all very grateful for the way in which you helped us out in what otherwise would have been a difficult situation.

Please pass our thanks here to all concerned.

M. C. SCHOLAR

P.F. Chambers, Esq.

VC



10 DOWNING STREET

From the Private Secretary

12 May 1983

Review Body on Top Salaries

I attach letters from Lord Plowden dated 29 April and 30 March, with which he enclosed the TSRB's two Reports which were published today.

BF I would be grateful for draft replies for the Prime Minister's signature, by Monday 16 May.

M. C. SCHOLAR

Miss Margaret O'Mara,
HM Treasury.

Econ Pol

P1. put on TSRB file.

FRB

G.97

~~expressed~~
~~reason~~ about both shipbuilding and steel.

MR. FOOT: ~~Just~~ so that the r h G may have another opportunity to give a little more information to the Hse, ~~may I say it~~ I omitted to mention the ~~promise~~ - or near promise - that was given by the ~~Govt~~ Govt ~~that~~ ^{for a White Paper} on the subject of Williamsburg, or the approach to the summit ~~we asked for a White Paper from the Govt.~~ We should like to have ^a ~~that~~ White Paper. In any case, whether or not we have a White Paper, we now want a statement from the Govt, because the Prime Minr's ~~declaration~~ declaration on ~~the~~ the ~~matter~~ matter ~~is~~ is quite unsatisfactory to the Hse ^{and} and, I am sure, equally unsatisfactory to the country. I ~~hope~~ hope that the r h G will ensure that she will make ^a ~~that~~ statement.

MR. BIFFEN: I shall certainly draw the attention of my r h F the Prime Minr to the ^{r L G's} ~~anxieties~~ anxieties ~~that have just been expressed by the r h G.~~

MR. DAVID STEEL (Roxburgh, Selkirk and Peebles);
On which day next week will the Hse be told whether or not the Govt will cut and run?

MR. BIFFEN: The r h G asked that question not expecting an answer, and I shall not disappoint him .

du
MR. EDWARD ~~BY~~ CANN (Taunton): Will my r h F be good enough ~~to~~ to undertake to consult ~~the~~ opinion widely in the Hse before the Govt themselves discuss the Plowden report, and particularly before they ~~come~~ come to a conclusion on the matter?

G. H. 8

MR. BIFFEN: I recognise the considerable interest that there is in ^{that} ~~this~~ ~~topic~~, and I shall bear in mind my r h F's ~~comments~~ comments.

MR. NORMAN HOGG (Dunbartonshire, East): Will the Leader of the Hse take time today to see ~~the Secy~~ the Secy of State for Scotland and find out his reasons for cancelling the meeting of the Scottish Grand Cttee which was to have taken place in Edinburgh on Monday 16 May? I can tell the Leader of the Hse the answer. The reason is that the Govt will not discuss Scottish unemployment. Is the Secy of State for Scotland's cut-and-run approach consistent with the resolute approach?

MR. BIFFEN: My understanding is that the situation is not quite as the h G suggests. Possilly it is an ideal ~~to~~ topic for further consideration through the usual channels.

H FOLLOWS



10 DOWNING STREET

From the Private Secretary

11 May 1983

Dear Mary

Review Body Reports

I attach a copy of the written statement that the Prime Minister will be making tomorrow. It will be released at 1530. The reports themselves will be made available in the Vote Office at the same time.

I am copying this to Nick Evans (MOD), Margaret O'Mara (HMT), Carole Souter (DHSS), David Heyhoe, and Richard Hatfield.

Yours ever

Willie Rickett

Mary Brown
Office of the Lord Privy Seal

1
File

(Answered by the Prime Minister on Thursday 12 May 1983)

UNSTARRED Mr Antony Buck: To ask the Prime Minister, if she
NO. will make a statement on the Reports of the Review
Bodies on the Pay of the Armed Forces, the Doctors
and Dentists and Top Salaries.

The reports of the Armed Forces Pay Review Body, the Doctors' and Dentists' Review Body and the Top Salaries Review Body on certain top salary groups and on parliamentary pay and allowances have been laid before the House today and will be published as Command Papers shortly.

Copies are now available in the Vote Office. The Government is grateful to the members of the review bodies for these reports and for the time and care which they have put into their preparation.

The report of the Armed Forces Pay Review Body recommends new rates of pay for Service men and women applicable from 1 April 1983 which will amount on average to 7.2 per cent of the pay bill for the rates currently in payment. The Government accepts the report, and the necessary steps to implement the new rates of pay, and inform servicemen of the details of the report, will be taken as soon as possible.

The report of the Doctors' and Dentists' Review Body recommends with effect from 1 April 1983 increases in the pay of doctors and dentists which the Review Body estimates would add 6 per cent to the pay bill over and above the costs of implementing in full their recommendations for 1 April 1982; in addition they recommend changes in certain

supplementary payments to take account of the hours worked by junior hospital doctors and dentists, which will add a further 1 per cent to the total pay bill.

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

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

The two reports from the Top Salaries Review Body, one dealing with the salaries of the higher civil service, senior officers in the Armed Forces and the judiciary, and the other dealing with the salaries of Members of Parliament and of Ministers and other office holders and Parliamentary allowances, will be for consideration after the Election.

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



Ref. A083/1319

MR SCHOLAR

Review Bodies: Draft Written Answer

We have revised ^{the} draft Written Answer about the Review Bodies in the light of this morning's discussion in Cabinet; I attach the redraft herewith.

2. You will see that this draft, like the earlier one, does not put any value on the changes in the supplementary payments for junior hospital doctors and dentists. If the Prime Minister wanted to do so, she could add at the end of paragraph 3 of the draft the words "which will add a further 1 per cent to the total pay bill".

3. You will wish to make sure that the first paragraph of the draft Answer is consistent with the arrangements which are being made for laying the reports tomorrow afternoon.

4. I am sending a copy of this minute and of the draft Written Answer to the Lord President's Private Secretary, so that the Lord President can consider whether he is content with the last two paragraphs of the draft.

ROBERT ARMSTRONG

10 May 1983

DRAFT WRITTEN ANSWER

To ask the Prime Minister whether she will make a statement about the reports of the Review Bodies on the pay of the armed forces, doctors and dentists, top salary groups, and parliamentary pay and allowances.

The reports of the Armed Forces Pay Review Body, the Doctors' and Dentists' Review Body and the Top Salaries Review Body on certain top salary groups and on parliamentary pay and allowances have been laid before the House today and will be published as Command Papers shortly.

Copies are now available in the Vote Office. The Government is grateful to the members of the review bodies for these reports and for the time and care which they have put into their preparation.

The report of the Armed Forces Pay Review Body recommends new rates of pay for Service men and women applicable from 1 April 1983 which will amount on average to 7.2 per cent of the pay bill for the rates currently in payment. The Government accepts the report, and the necessary steps to implement the new rates of pay, and inform servicemen of the details of the report, will be taken as soon as possible.

The report of the Doctors' and Dentists' Review Body recommends with effect from 1 April 1983 increases in the pay of doctors and dentists which the Review Body estimates would add 6 per cent to the pay bill over and above the costs of implementing in full their recommendations for 1 April 1982; in addition they recommend changes in certain

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AND PERSONAL

supplementary payments to take account of the hours worked by junior hospital doctors and dentists.

The House will recall that since 1981 there has been an abatement of the review body's recommendations for doctors and dentists which now amounts to 2.7 per cent of the pay bill. The Review Body has strongly urged that this abatement should now be made good. The Government accepts the recommended increases for this year with effect from 1 April 1983, and also agrees that the abatement should be made good before next year's Report. In order to ease the cost within the current financial year this will be done with effect from 1 January 1984.

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

The two reports from the Top Salaries Review Body, one dealing with the salaries of the higher civil service, senior officers in the Armed Forces and the judiciary, and the other dealing with the salaries of Members of Parliament and of Ministers and other office holders and Parliamentary allowances, will be for consideration after the Election.

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

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their present salaries. As my right hon Friend the Lord President of the Council and Leader of the House has already made clear, the Government acknowledges the need to consult opinion widely before the House reaches a conclusion on the recommendations.

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AND PERSONAL



Prime Minister

6

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Mr Silkin called on John Biffen today, to say that their

only point on MP's pay was - for the time being - that there should be some

"hopeful aspiration" about severance arrangements applying to present Members.

Review Body Reports 1983
(C(83)14)

John Biffen therefore wants to add some words to the end of the statement. Please see the last page of the

A083 / 1310

PRIME MINISTER

BACKGROUND

The background is set out in the paper (C(83)14) which you authorised me to circulate recording the conclusions reached at the informal meeting under your chairmanship last Thursday 5 May.

MLS 9/5

MAIN ISSUES

2. The main issues are:

i. whether the three "non-Parliamentary" review body reports should be handled as proposed, ie:

- AFPRB - implemented in full from 1 April 1983
- DDRB, and TSRB on higher civil service, senior officers and judiciary - the proposed annual increase to be implemented from 1 April 1983, the abatement to be restored from 1 January 1984;

ii. whether the report on the pay of MPs and Ministers should be handled as proposed, ie:

- MPs etc - wide consultations before the Government reaches a conclusion
- Cabinet Ministers - recommended increases not accepted as being far too high;

iii. whether these decisions should be announced by you by written answer on the lines of the draft at Annex B to C(83)14;



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- iv. the timing of the announcement.
3. The arguments in favour of proceeding as proposed are set out in C(83)14, ie:
- i. that the Government is committed to accepting AFPRB reports and that it is desirable to announce the decision in time to affect May monthly pay;
 - ii. that the DDRB abatement must be restored before the 1984 Report to prevent major trouble with the DDRB, the doctors and dentists, and the nurses who have been promised a similar review body;
 - iii. that the TSRB abatement cannot reasonably be treated differently from the DDRB abatement;
 - iv. that consultation about the report on Parliamentary pay has been sought by the House; that quick decisions on important detailed matters (eg MPs' pensions) could not be taken; and that deferring action on the report until the next Parliament would not be inconsistent with the views of the Select Committee on Members Salaries.

HANDLING

4. You may wish to introduce C(83)14 briefly yourself. The Chancellor of the Exchequer may wish to comment on the reports generally; the Secretary of State for Social Services on the particular problems about the DDRB; and the Lord President on the report on MPs' pay.

CONCLUSIONS

5. You will wish to reach conclusions on:
- i. the proposals in C(83)14;
 - ii. the form and timing of the announcement.

RA

9 May 1983

ROBERT ARMSTRONG

FROM: P L GREGSON, CB, DEPUTY SECRETARY

COPY 5 OF 7 COPIES



CABINET OFFICE
70 WHITEHALL
LONDON SW1A 2AS

bc Mr. Schsk ✓

4

01-XXXXXXXX 233 8339

P.01015

Mr P Le Cheminant CB
Deputy Secretary
H M Treasury
Parliament Street

6 May 1983

SECRET AND PERSONAL

Dear Peter

REVIEW BODY REPORTS 1983

I am attaching on a personal basis the draft Note by the Secretary of the Cabinet which I am putting to Robert Armstrong this evening. At Annex B is the draft Written Answer.

I should be grateful if you would kindly check any points of detail for which you are responsible and let me have any comments by lunchtime on Monday 8 May.

I am sending a copy of this letter with a similar request and relevant extracts from the draft Note and draft Written Answer to Chris France (MoD), Pat Benner (DHSS) and David Heyhoe (Lord President's Office).

I should be grateful if Chris France and Pat Benner would take responsibility for making any necessary arrangements to notify the Chairmen of the AFPRB and DDRB respectively on the content of the Government's announcement after Cabinet and before the publication of the Written Answer. Robert Armstrong will be in touch with No 10 about the action to be taken in respect of the TSRB Chairman.

Yours

P L

P L GREGSON

SECRET AND PERSONAL

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M. Scholar

AND PERSONAL

REVIEW BODY REPORTS

Note by the Secretary of the Cabinet

Ministers have to consider what action should be taken in relation to the recommendations in the following Review Body reports:

i. The Armed Forces Pay Review Body (AFPRB) report

This recommends with effect from 1 April 1983 an average increase of 7.2 per cent for the armed forces up to the rank of Brigadier and equivalent.

ii. The Doctors' and Dentists' Review Body (DDRB) report

This recommends with effect from 1 April 1983 an average increase of 6 per cent over the DDRB's 1982 recommended figures together with changes in supplementary payments to take account of the hours worked by junior hospital doctors and dentists amounting to a further 1 per cent; in addition the DDRB strongly recommend that the abatement originally made of their recommendations in 1981, which currently amounts to 2.7 per cent, should now be made good.

iii. The Top Salaries Review Body (TSRB) report on the salaries of the higher civil service (Under Secretaries and above), senior officers in the armed forces (Major General and equivalent and above) and the judiciary.

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This recommends with effect from 1 April 1983 an average increase of 6.9 per cent over the TSRB's 1982 recommended figures; in addition the TSRB strongly recommend that the abatement of their 1982 recommendations, which currently amounts to slightly less than 5 per cent, should now be made good.

iv. The Top Salaries Review Body (TSRB) report on Parliamentary pay and allowances

This recommends increases of 30.9 per cent in the salary of MPs and increases ranging from 28.3 per cent for Parliamentary Secretaries to 47.0 per cent for Cabinet Ministers. It also makes proposals about the secretarial and research allowance for MPs; the severance pay and pension arrangements for MPs, including the accrual rate and the minimum retirement age; the rates of the Peers' expenses allowances; and the secretarial allowance for Ministers and other paid office holders in the House of Lords.

2. A summary of the salary recommendations relating to the main ranks, grades or office holders is at Annex A.
3. A group of Ministers met to consider these issues under the Prime Minister's chairmanship and their recommendations are summarised in the following sub-paragraphs:

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i. It was agreed that the AFPRB Report should be implemented in full from 1 April 1983 in line with the Government's past practice and commitment to maintain full comparability of servicemen's pay with that of their civilian counterparts. The annual cost of implementing the recommendations in 1983-84 is estimated at £165 million; the Secretary of State for Defence is discussing with Treasury Ministers how far this additional cost can be accommodated within cash limits.

ii. It was agreed that the DDRB's recommended increase for the current year (6 per cent plus 1 per cent in respect of supplementary payments for junior hospital doctors and dentists) should be implemented from 1 April 1983. In respect of the abatement Ministers had regard to the DDRB's statement that ".... it would be difficult to reconcile failure to implement [their recommendations] in full for a third successive year with an independent Review Body system"; the probability that the DDRB would resign and that the doctors and dentists would no longer have confidence in the Review Body system; and the danger of reopening the issue of future pay arrangements for the nurses who had been offered a review body on the model of the DDRB. It was therefore agreed that the best course would be to make good the 2.7 per cent abatement before the next DDRB report but to do so from 1 January 1984 in order to ease the costs within the current financial year. In addition to the 1 per cent for junior hospital doctors and dentists the increase on the 1983-84 pay bill, allowing for the three-months

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effect of restoring the abatement, is estimated at [6.7] per cent. The annual cost of implementing the recommendations in 1983-84 is estimated at [£121 million]; the Secretary of State for Social Services is discussing with Treasury Ministers how far this additional cost can be accommodated within cash limits.

iii. In relation to the higher civil service, senior service officers and the judiciary it was agreed that the TSRB's recommended increase of 6.9 per cent for the current year should be implemented from 1 April 1983. In respect of the abatement it was noted that, in the Prime Minister's statement of 12 May 1982, the Government had acknowledged that there were "sound management reasons for bringing these salaries up to date quickly and for keeping them up to date in future". The abatement had been justified by the need to abate the DDRB increases. It was recognised "... that this abatement will be one of the factors to be taken into account by the review body in the course of its next review". It was therefore agreed that the TSRB abatement should, like the DDRB abatement, be made good from 1 January 1984. The average increase for 1983-84, after allowing for the three-months effect of restoring the abatement, is estimated at [8.1] per cent. The cost of implementing these increases in 1983-84 is estimated at [£4.7 million] and there should be no difficulty about absorbing them within cash limits.

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iv. In relation to the TSRB report on Parliamentary pay and allowances it was noted that the recommended percentage increases for MPs and Ministers were extremely high and that there were many non-salary recommendations which would require lengthy and careful study (for example that the pension accrual rate should be set at 1/50th rather than 1/60th of pensionable salary). The Leader of the House had been asked on 5 May by Mr Edward du Cann MP to consult opinion widely in the House before the Government came to a conclusion on the report. Moreover although the Select Committee on Members' Salaries had expressed the view that a major review of MPs' salaries should take place in the last year of a Parliament and be settled by the old Parliament, they had recognised "..... that there would not be great harm if decisions on occasion had to be left to the new Parliament". It was therefore agreed that, although the report should be published in the week ending 13 May, the Government should not announce its conclusions but should say that, as the Leader of the House had already indicated, the Government acknowledged the need to consult widely in the House before reaching conclusions. It was however thought undesirable that the exceptionally high increases recommended for Cabinet Ministers should remain unchallenged. It was agreed that the Cabinet should be invited to authorise the Prime Minister to make it clear that the Cabinet [regarded these increases as far too high and did not intend to implement them].

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4. In relation to the three reports which included a proposed increase for the current year as compared with last year, the Group noted that this was in the range of 6 to 7 per cent, somewhat higher than the current level of settlements in the economy as a whole (just under $5\frac{1}{2}$ per cent). The Group therefore agreed that the Government would need to consider, in good time before the 1984 round of Reports, how to ensure that the Review Bodies' recommendations took full account of the Government's policies relating to public service pay. This would be made easier if, in accordance with the Group's recommendations, the reports dealing with doctors and dentists and the top salary groups were in 1984, for the first time for several years, starting from a clean slate with no back-log to make up.

TIMING AND FORM OF ANNOUNCEMENT

5. The fact that the Review Body reports have been received has already been announced and it has been promised that the report on Parliamentary pay and allowances will be published in the course of this week. The group of Ministers which met under the Prime Minister's chairmanship therefore agreed that all the reports should be published on the afternoon of Thursday 12 May; that the Prime Minister should announce the Government's views on all of them the same afternoon; and that this announcement should take the form of a Written Answer as in May 1982.

6. A draft Written Answer in line with the recommendations of the group of Ministers set out in paragraph 3 above is attached at Annex B.

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ISSUES FOR THE CABINET

7. The Cabinet is invited to consider:

i. the recommendations in respect of the four Review Body reports set out in paragraph 3 i. to iv. above;

ii. depending on the decisions reached on those recommendations, the draft Written Answer at Annex B for issue on the afternoon of Thursday 12 May.

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AND PERSONAL

REVIEW BODY REPORTS 1983:
 MAIN SALARY RECOMMENDATIONS

ARMED FORCES PAY REVIEW BODY (AFPRB)

The proposed range of increases of annual military salaries is:

for officers:	3.9 - 9.9 per cent
for warrant officers and senior NCOs:	6.7 - 9.2 per cent
for corporals and below:	6.1 - 8.3 per cent

The increases for selected ranks are:

	£	
	<u>now being paid</u>	<u>proposed</u>
Brigadier and equivalent	22,750	25,001
Captain and equivalent	9,574 - 11,129	10,453 - 12,144
Sergeant and equivalent	7,380 - 8,720	7,895 - 9,439
Private and equivalent (I)	5,212 - 6,442	5,552 - 6,976

DOCTORS' AND DENTISTS' REVIEW BODY (DDRB)

The recommended levels of remuneration for various grades are as follows:

	£	
Hospital doctors		
House officers	6,720 - 7,850	(excluding earnings from additional sources)
Consultants	18,900 - 24,260	" "
General medical practitioners	20,670	(intended average net remuneration)
General dental practitioners	17,890	(target average net income)

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TOP SALARIES REVIEW BODY (TSRB): REPORT ON HIGHER CIVIL SERVICE, SENIOR SERVICE OFFICERS AND THE JUDICIARY

The recommended increases for particular ranks and posts are:

	£	£	£
	recommended for 1 April 1982	now being paid	recommended for 1 April 1983
	_____	_____	_____
<u>Higher civil service and senior service officers</u>			
Secretary of the Cabinet, Permanent Secretary to the Treasury, Field Marshal and equivalent	45,000	42,000	48,000
Permanent Secretary, General and equivalent	40,000	37,750	42,750
Second Permanent Secretary	37,000	35,000	39,500
Deputy Secretary, Lieutenant General and equivalent	32,000	30,250	34,250
Under Secretary, Major General and equivalent	26,000	25,000	27,750
 <u>Judiciary (selected posts)</u>			
Lord Chief Justice	56,000	52,500	60,000
Master of the Rolls, Lord of Appeal	51,500	48,250	55,000
Lord Justice of Appeal	48,500	45,500	52,000
High Court Judge	45,000	42,500	48,000
Circuit Judge	29,000	27,750	31,000
Chairmen, Industrial Tribunals, Metropolitan Magistrates, Provincial Stipendiary Magistrates, County Court Registrars etc	25,000	24,000	29,000

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TOP SALARIES REVIEW BODY: REPORT ON PARLIAMENTARY PAY AND ALLOWANCES

The main salary recommendations are:

	<u>now</u>	<u>proposed</u>
MPs	14,510	19,000
Parliamentary salary for Ministers who are members of the House of Commons	8,460	11,000
Ministers and other office holders (including Parliamentary salary		
Prime Minister	46,660 (notional)	65,000
Lord Chancellor	52,500 (notional)	62,000
Mr Speaker	38,785	55,000
Cabinet Minister	37,410	55,000 (Commons) 49,500 (Lords)
Minister of State		
(Commons)	29,035	38,000
(Lords)	24,200	32,500
Parliamentary Secretary		
(Commons)	24,160	31,000
(Lords)	19,350	25,500
Attorney General	39,160	55,000
Leader of the Opposition	35,035	50,000

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DRAFT WRITTEN ANSWER

To ask the Prime Minister whether she will make a statement about the reports of the Review Bodies on the pay of the armed forces, doctors and dentists, top salary groups, and parliamentary pay and allowances.

The reports of the Armed Forces Pay Review Body, the Doctors' and Dentists' Review Body and the Top Salaries Review Body on certain top salary groups and on parliamentary pay and allowances have been laid before the House today and [have been] [will be] published as Command Papers [shortly]. Copies [in typescript] are now available in the Vote Office.

The report of the Armed Forces Pay Review Body recommends new rates of pay for Service men and women applicable from 1 April 1983 which will amount on average to 7.2 per cent of the estimated pay bill for 1983-84. The Government have accepted the report, and the necessary steps to implement the new rates of pay, and inform Service men of the details of the report, will be taken as soon as possible.

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

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AND PERSONAL

1 per cent. The House will recall that since 1981 there has been an abatement of the review body's recommendations for doctors and dentists which now amounts to 2.7 per cent of the pay bill. The Review Body has strongly urged that this abatement should now be made good. The Government propose to accept the recommended increases for this year with effect from 1 April 1983 and also agree that the abatement should be made good before next year's Report. In order to ease the cost within the current financial year this will be done with effect from 1 January 1984. In addition to the changes in supplementary payments for junior hospital doctors and dentists, the estimated addition to the pay bill for 1983-84 is [6.7] per cent.

The report of the Top Salaries Review Body on the salaries of the higher civil service, senior officers in the Armed Forces and the judiciary recommends with effect from 1 April 1983 average increases of 6.9 per cent over their 1982 recommended figures. The House will recall that the Review Body's 1982 recommendations for these groups were abated by up to one-third. The Review Body recommend increases of slightly less than 5 per cent to make good this abatement. The Government propose to accept the recommended increases for this year with effect from 1 April 1983. In line with the decision reached on doctors' and dentists' remuneration, the Government also propose to make good the abatement with effect from 1 January 1984. The estimated addition to the pay bill for these groups for 1983-84 will therefore be [8.1] per cent. In the case of the Civil Service and the Armed Forces the increases represent less than [0.05] per cent of their combined pay bills.

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The Top Salaries Review Body report on Parliamentary pay and allowances makes recommendations relating to: the salary of Members of the House of Commons; the salaries of Ministers and other office holders; the level and structure of the secretarial and research allowance for MPs; the severance pay and pension arrangements for MPs, including the accrual rate and the minimum retirement age; and the rates of the Peers' expenses allowances and the secretarial allowance for Ministers and other paid office holders in the House of Lords. So far as the proposed salaries for Cabinet Ministers are concerned, members of the Cabinet have already considered them, [take the view that they are far too high, and do not intend to implement them.] For the rest, as my right hon. Friend the Lord President of the Council and Leader of the House has already made clear, the Government acknowledges the need to consult opinion widely in the House before they come to a conclusion on these recommendations.

The Government are grateful to the members of the review bodies for these reports and for the time and care which they have put into their preparation.

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AND PERSONAL

PRIME MINISTER

MEETING WITH COLLEAGUES AT 1215 ON MONDAY

Apart from any business left over from Chequers on Sunday, there are three subjects which you may like to cover at this meeting:-

1. Handling of the statements on the TSRB Reports and the Security Commission's Report on the Prime case (papers below):
2. Recommendations for Life Peerages and Privy Counsellorships in the Birthday Honours (papers below);
3. Perhaps - the principle of hereditary Peerages (papers in the Hot Box).

Papers with Honours

P.R.B.

6 May 1983

PRIME MINISTER

REVIEW BODY REPORTS

You may like to see the attached note by Willie Rickett on the precedents for statements on TSRB Reports.

I agree that you may like to discuss the Parliamentary handling of these statements with the Lord President and the Chief Whip on Monday.

We have considered whether the solution would be for you to make a written statement on the Armed Forces, Doctors and Dentists and the Top Salaries (for which there are several precedents); and for the Lord President to make a written statement on Ministers and MPs. But I do not think that this would work, both for the reasons given by Willie Rickett and because any statement about the Cabinet's attitude to the recommendations about their own pay ought to come from you.

I am afraid that there does not look to me as if there is any escape from your making an oral statement: any alternative could well lead to charges that you were trying to cover the Reports up, which would make it worse.

R.E.R.B

6 May 1983

MR BUTLER

REVIEW BODY REPORTS

You asked what statements had been made in the past about Review Body Reports.

In 1982, the Prime Minister made a written statement covering the award of the Civil Service Arbitration Tribunal and the reports of the Review Bodies on the pay of the Armed Forces, the Doctors and Dentists, and Top Salaries. (Written Answer to Mr. John Ward, 6 May, 1982). The Lord President made a written statement the same day on the salaries of Members of Parliament. (There was no TSRB report on MPs pay last year).

In 1981, the Prime Minister made a written statement on the reports of the AFPRB, the DDRB and TSRB, which also covered the question of MPs and Ministers pay. (Written answer to Mr. Edward Du Cann, Friday, 15 May 1981).

In 1980, the Prime Minister made an oral statement on 17 July on the reports of the Top Salaries Review Body on the pay of civil servants, senior officers in the Armed Forces, members of the Judiciary, chairmen and members of boards of nationalised industries, and Members of Parliament and Ministers.

In 1979, the Leader of the House made an oral statement on 21 June about the report of the TSRB and the pay of Members of Parliament and Ministers. He appears to have made this statement on behalf of the Prime Minister who was attending the European Council in Strasbourg (the Home Secretary answered Prime Minister's Questions that day). Mr. Foot replied for the Opposition to the Leader's statement.

On reflection I think that the argument that the Lord President might make a separate statement on MPs pay does not really hold water since the Review Bodies report to the Prime Minister; last year there were no Review Body recommendations covering MPs pay, and in these circumstances a statement by the Lord President was more justifiable. There are arguments for letting the Opposition

/know

know through the usual channels the day of the publication of these reports, if only because the TSRB report makes recommendations on their own pay. You agreed that it would be sensible for the Prime Minister to take the opportunity at her Monday meeting with the Lord President and the Chief Whip to have a preliminary discussion of the Parliamentary handling of these reports.

CM

6 May, 1983

SUBJECT ✓ cc MasterCopy no *10* of
10 copies

10 DOWNING STREET

From the Private Secretary

5 May 1983

Dear John,

Review Bodies Reports 1983

The Prime Minister held a meeting to discuss the Review Body Reports today. The Lord Chancellor, the Chancellor of the Exchequer, the Lord President of the Council, the Secretaries of State for Defence, Employment and Social Services, Sir Robert Armstrong and Mr. Peter Gregson were also present.

In discussion of the Armed Forces Pay Review Body (AFPRB), concern was expressed that the Review Body had seen fit to recommend an increase larger than last year's at a time when inflation and pay settlements generally had been falling and when there were no problems of recruitment. It was, however, generally accepted that the AFPRB's recommendations should be accepted and announced. The aim should be to make the announcement in time for the new rates to be implemented in monthly pay for May.

On the report of the Doctors and Dentists Review Body (DDRB), it was noted that there was a strong possibility that the Review Body would feel obliged to resign if, for the third year running, the Government did not fully implement their recommendations. This would cause great difficulty with the professions, and would also upset the arrangements which were being made for a review body for the nurses. Against this, it would be politically very difficult to grant the doctors and dentists an increase of 9.7%, given that the 4½% which had been granted to the nurses had been described as an exceptional settlement. It would be possible to award the doctors and dentists the whole of the 2.7% required to make good last year's abatement, and to offer them only about half of the increase which was recommended for this year. But this would leave the Government next year with the same problem of an abatement which it would be argued needed to be made good.

Another possibility would be to award doctors and dentists what was recommended for this year - ie a general increase of 6%, plus 1% in respect of supplementary payments for long hours worked by junior hospital doctors and dentists - and to make good the abatement later in the year, say on 1 January 1984. This course of action would have the advantage of bringing doctors and dentists salaries up to the level recommended by the Review Body by the time they undertook their 1984 review, of reducing the cost of the award during 1983/4, and of easing the immediate problems of public presentation.

/ On the

On the Top Salaries Review Body report on the higher Civil Service, senior Service officers and the Judiciary, it was noted that it would be possible to treat these recommendations in parallel with those of the DDRB. So far as the judiciary were concerned, it was still the case that, notwithstanding the very large salary increases which the Government in difficult circumstances had agreed last year, some of the best candidates for judicial office were still refusing appointment, no doubt in a number of cases on financial grounds. This was particularly true in the more specialised cases, for example in the appointment of a patent judge. There were perhaps more serious difficulties in the the appointment of circuit judges and in the minor judicial appointments. In the Services, failure to implement something approaching the TSRB's recommendations would bring about the narrowing of differentials between senior and junior officers.

On the Top Salaries Review Body's report on Members of Parliament and Ministers, the Prime Minister said that she regarded the scale of increases recommended as untoward and wholly unacceptable. In discussion it was agreed that the report should be published soon, and that the Government should respond positively to any request for wide consultation within the House. In responding to the recommendations of the Thomas Committee which reported early last year, the Government had committed itself to a review of these salaries in the fourth year of a Parliament. But the Thomas Committee had envisaged that there might be difficulties where the review made recommendations late in the life of a Parliament; and expressed the view that there would be no great harm if decisions on occasion had to be left to the new Parliament. One option would be to propose immediately an increase for MPs and Ministers on a very much lower scale than that proposed in the report - say the 3½% already in cash limits or the 6 - 7% which appeared to be the going rate for this year in the other Review Body reports. But, arguably, this would be to take too firm a view before the consultation process was complete, and there would be much criticism if, after receiving an increase of this order, MPs in a new Parliament were to vote themselves a further tranche of the increase which had been recommended by the TSRB.

Summing up the discussion, the Prime Minister said that there was disquiet about the operation this year of the Review Body system. Before next year's reports Ministers should look carefully at the constitution and methods of the Review Bodies and the extent to which they took into account all the considerations which were properly relevant. There was general agreement that the AFPRB should be published on Thursday of next week, and that the Government's acceptance of its recommendations should be announced at the same time. This would cost £165 million of which £80 million was not included in the Ministry of Defence's cash limits. The DDRB report should be published on the same day, and the Government should announce that it accepted the report's recommendations, but that the 2.7% abatement would be made good not immediately but from 1 January 1984. The award should be presented as a settlement in the range of 6 - 7%, with an additional amount for junior hospital doctors and dentists. The total cost, excluding the 2.7% abatement would be £110 million; taking account of the treatment of the abatement which had been agreed, the excess not included in cash limits would be some £58 million. The two TSRB reports should, similarly, be published next Thursday. On the higher Civil Service, senior Service officers and Judiciary salaries, the Government's decision, also to be announced on Thursday, would be parallel to that on the DDRB report: i.e. the 6.9% award for this year would be accepted, and the 5% abatement would be made good from 1 January 1984. It was noted that the cost of implementing this report in full

- 3 -

would be around £7 million. On MPs pay the Government would say that it wished to conduct wide consultations before reaching a conclusion about what it would propose to the House on these recommendations; but that the House's decision should certainly be made to apply to Members of the present Parliament, whenever the Election came. The government would, at the same time, make it clear that the Cabinet did not believe that Cabinet Ministers could contemplate taking increases on the scale recommended. It was noted that the TSRB proposals on non-salary matters for MPs and Ministers raised a number of difficulties, and would need to be carefully considered. Treasury Ministers should consider, with the other Ministers concerned, how much of the extra costs of all these awards could be absorbed within the existing cash limits. It was recognised that not all of the increases might be able to be absorbed, but the aim should be to absorb as much as possible. The Cabinet Secretary should circulate a paper, together with a draft statement by the Prime Minister, so that the Cabinet could consider these matters at its meeting on 12 May.

I am sending copies of this letter to the Private Secretaries to those people present at the meeting. I would be grateful if you and they would neither photocopy nor circulate this letter outside your Private Offices.

Yours sincerely,

Michael Scholar

J. Kerr, Esq.,
H.M. Treasury

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Back up*

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10 DOWNING STREET

From the Private Secretary

4 May 1983

REVIEW BODY REPORTS

I attach a copy of a paper, prepared by the Cabinet Office, which will serve as a starting point for the discussion at the Prime Minister's meeting tomorrow of the Review Body Reports. The Prime Minister has expressly asked that this paper should not be circulated or photocopied, and I should be grateful if you would ensure that the Prime Minister's wishes are met.

I am sending copies of this letter and enclosure to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence), David Heyhoe (Lord President's Office), Steve Godber (Department of Health and Social Security), Barnaby Shaw (Department of Employment); and to Richard Hatfield (Sir Robert Armstrong's Office, Cabinet Office) and Peter Gregson (Cabinet Office).

M. C. SCHOLAR

David Watts, Esq.,
Lord Chancellor's Office.

MP

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REVIEW BODY REPORTS 1983

INTRODUCTION

This note is in two parts:

- Part I summarises the recommendations of the four review body reports in 1983;
- Part II summarises existing Government policy and practice relating to implementation of review body reports.

PART I: SUMMARY OF 1983 RECOMMENDATIONS

ARMED FORCES PAY REVIEW BODY (AFPRB)

The AFPRB calculate that implementation of their recommendations on pay will add 7.2 per cent to the estimated pay bill for 1983-84. The range of increases of annual military salaries is:

for officers:	3.9 - 9.9 per cent
for warrant officers and senior NCOs:	6.7 - 9.2 per cent
for corporals and below:	6.1 - 8.3 per cent

The increases for selected ranks are:

	<u>now being paid</u>	£	<u>proposed</u>
Brigadier and equivalent	22,750		25,001
Captain and equivalent	9,574 - 11,129		10,453 - 12,144
Sergeant and equivalent	7,380 - 8,720		7,895 - 9,439
Private and equivalent (I)	5,212 - 6,442		5,552 - 6,976

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DOCTORS' AND DENTISTS' REVIEW BODY (DDRB)

2. The DDRB recommendations for 1981 were not implemented by the Government in full but were abated by an amount which was at that time some 3 per cent. In 1982 the DDRB recommended increases which were estimated to add about 6 per cent to the pay bill making about 9 per cent allowing for the 1981 abatement. The Government decided not to make good in 1982 the 1981 abatement and an increase of around 6 per cent was implemented. The cost of making good the abatement is estimated by the DDRB to add some 2.7 per cent to the pay bill.
3. The DDRB estimate that their recommendations for 1983 would add 7 per cent to the pay bill over and above the costs of implementing their 1982 recommendations. (Of this about 1 per cent is in respect of recommended change in the rates of supplementary payments to take account of the hours worked by junior hospital doctors and dentists.) If the 2.7 per cent abatement were to be made good the estimated increase on the pay bill would be 9.7 per cent.
4. The recommended levels of remuneration for various grades are as follows:

	£	
Hospital doctors		
House officers	6,720 - 7,850	(excluding earnings from additional sources)
Consultants	18,900 - 24,260	" "
General medical practitioners	20,670	(intended average net remuneration)
General dental practitioners	17,890	(target average net income)

TOP SALARIES REVIEW BODY (TSRB): REPORT ON HIGHER CIVIL SERVICE, SENIOR SERVICE OFFICERS AND THE JUDICIARY

5. In 1982 the TSRB recommended increases in the pay of the higher civil service and senior service officers averaging 13 per cent, and for the judiciary 20 per cent, above the levels recommended as appropriate at 1 April 1980. Because the 1980 recommendations had not been fully implemented

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the recommended increases over the salaries currently in payment were 19.4 per cent for the higher civil service and senior service officers and 24.3 per cent for the judiciary. The Government decided to abate the increases by varying amounts ranging from about a quarter to a third of the difference between the recommended salaries and the salaries then in payment. The TSRB estimate that an increase of slightly less than 5 per cent is now needed for these groups to bring pay up to the levels recommended for 1982.

6. The TSRB recommendations for salary levels for these groups from 1 April 1983 would involve increases over the 1982 recommended figures of 6.9 per cent, making a total of around 12 per cent allowing for the 1982 abatement.

7. The recommended increases for particular ranks are:

	£ recommended for 1 April 1982	£ now being paid	£ recommended for 1 April 1983
<u>Higher civil service and senior service officers</u>			
Secretary of the Cabinet, Permanent Secretary to the Treasury, Field Marshal and equivalent	45,000	42,000	48,000
Permanent Secretary, General and equivalent	40,000	37,750	42,750
Second Permanent Secretary	37,000	35,000	39,500
Deputy Secretary, Lieutenant General and equivalent	32,000	30,250	34,250
Under Secretary, Major General and equivalent	26,000	25,000	27,750
<u>Judiciary (selected ranks)</u>			
Lord Chief Justice	56,000	52,500	60,000
Master of the Rolls, Lord of Appeal	51,500	48,250	55,000
Lord Justice of Appeal	48,500	45,500	52,000
High Court Judge	45,000	42,500	48,000
Circuit Judge	29,000	27,750	31,000
Chairmen, Industrial Tribunals, Metropolitan Magistrates, Provincial Stipendiary Magistrates, County Court Registrars etc	25,000	24,000	29,000

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Top Salaries Review Body: Members of Parliament, Ministers etc

8. The TSRB's main recommendations are:

	£	
	<u>now</u>	<u>proposed</u>
MPs	14,510	19,000
Parliamentary salary for Ministers who are members of the House of Commons	8,460	11,000
Ministers (including Parliamentary salary)		
Prime Minister	46,660 (notional)	65,000
Lord Chancellor	52,500 (notional)	62,000
Mr Speaker	38,785	55,000
Cabinet Minister	37,410	55,000 (Commons) 49,500 (Lords)
Minister of State		
(Commons)	29,035	38,000
(Lords)	24,200	32,500
Parliamentary Secretary		
(Commons)	24,160	31,000
(Lords)	19,350	25,500
Attorney General	39,160	55,000
Leader of the Opposition	35,035	50,000

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PART II: GOVERNMENT POLICY AND PRACTICE RELATING TO REVIEW BODIES

General commitment relating to the AFPRB, DDRB and TSRB

There is a long-standing commitment that the Government will implement the recommendations of Review Bodies "unless there are clear and compelling reasons for not doing so".

Policy and practice in relation to the AFPRB

2. The Government's Election Manifesto in 1979 said: "We will ... bring [servicemen's] pay up to full comparability with their civilian counterparts immediately and keep it there". This commitment has been reaffirmed by Ministers on a number of occasions, for example by the Prime Minister in a Written Answer on 15 May 1981. AFPRB Reports have never been rejected by the Government, although the implementation of its 1978 recommendations was staged, to take account of the pay policy which was then in force.

Policy and practice in relation to the DDRB

3. The DDRB's recommendations have been accepted by the Government except for the 3 per cent abatement in 1981 and the failure to make good the 1981 abatement in 1982. The DDRB in their report say that the Government have "recognised that the abatement of our 1981 and 1982 recommendations would be a factor for us to take into account in the course of this year's review We accept that final decisions on our recommendations must be a matter for Government. Nonetheless it would be difficult to reconcile failure to implement these in full for a third successive year with an independent Review Body system."

Policy and practice in relation to TSRB recommendations on the higher Civil Service, senior Service Officers and the judiciary

4. The TSRB recommendations for these groups were accepted in principle but implemented only in stages in 1974 and in 1978. In 1980 increases of about half the recommended level were awarded. For 1981 the TSRB made no new recommendations but urged the Government to implement their 1980 recommendations which would have involved increases of about 12 per cent; instead the

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Government increased the pay of these groups by 7 per cent in line with the the pay offer to the non-industrial civil service. In 1982 the recommended increases were abated by varying amounts of about one quarter to one third. In announcing the Government's decision in a Written Answer on 12 May 1982 the Prime Minister said:

"There are sound management reasons for bringing these salaries up to date quickly and for keeping them up to date in future. But the immediate increases needed for this purpose are large; and, as I announced last week, the Government have felt obliged to cut back the salaries recommended for doctors and dentists in the most recent DDRB report. Accordingly we have decided that we must ask the TSRB groups also to accept some abatement in their salaries this year We recognise that this abatement will be one of the factors to be taken into account by the review body in the course of its next review."

Policy and practice in relation to MPs' and Ministers' salaries

5. The TSRB's recommendations on MPs' pay were accepted in principle in 1975 but implementation was deferred indefinitely. The 1976 recommendations on Ministers' pay were also not implemented. The 1979 recommendations for both groups were staged and not fully implemented until 1981. The 1980 recommendations were not accepted although for MPs and all Ministers except Cabinet Ministers the 1980 recommendations were reached and slightly exceeded in 1981. In 1982 the salaries and allowances of MPs and Ministers were increased by 4 per cent in line with the pay factor included in the Estimates. Hansard extracts of the opening and closing speeches by the Lord President in the Commons Debate on MPs' salaries and allowances on 10 June 1982, covering both the 4 per cent increase and future arrangements, including the TSRB review in 1983, are attached.

MR BIFFEN'S OPENING AND CLOSING SPEECHES IN THE DEBATE ON
MEMBERS OF PARLIAMENT SALARIES ETC

Extracts from House of Commons Hansard Thursday 10 June 1982
Columns 462-471 and 512-515

[Mr. Brown]

the hon. Gentleman will know, the shop's presentation is oriented towards the arcade, and Liverpool Street is almost its back door.

I was delighted when the Minister said that he wished to take a close interest in the compensation factor. I hope that he will not use the Bill as the only vehicle for changing the law about compensation. The right hon. Member for Barrow-in-Furness (Mr. Booth) said that the law should be changed. But the Bill is not the vehicle for that. I welcome the Minister's view and take it that he is serious. I take it that there will be a change in the law on compensation.

Local government will have to be brought into this. No doubt the Secretary of State for the Environment will be involved, because the whole procedure of local government for dealing with road works, sewers and pipelines will be changed. There will be enormous ramifications. That is why such action has not been taken.

I hope that the Bill will not be used to do something that should be undertaken in general law, but I am delighted that the Minister is interested in the issue.

Mr. Race: Whatever the merits of changing the law generally, surely the hon. Gentleman, as an experienced parliamentarian, must accept that that possibility is not before us. We are dealing with a specific Bill concerning one street in London in which injury will probably be caused to a few people. That involves a quite different principle from a general change in the law.

Mr. Brown: That does not alter the fact that if the law is wrong, it is unreasonable to wait for a Private Bill in order to take action. The Minister has said that he is concerned about the compensation and I welcome his interest. The Government can introduce legislation to put a new measure into force that would take account of such factors, and I doubt whether the House would hold up such a provision.

I tried hard to get information from the promoters about the position of the florist. Having seen the shop, I accept what has been said. However, there is nothing to stop anyone from walking in front of the shop as it is. It is impossible to walk in the road, because lorries, cars and vans are parked there. Instead of the lorries, vans and cars parked in front of the florist there will be a temporary hoarding. I hope that the suggestion about the delay is wrong, but the hoarding will only be temporary, while the cars, vans and lorries are there every day of the week. Therefore, they form a barrier anyway. The promoters are doing nothing to hinder the walkthrough. Throughout the work there will be no change in that situation.

The best information that I have is that the shop in the arcade is still the subject of negotiations by the owners of the florist's. I understand that we are talking, not about an extension for storage, but about a new shop. The promoters have leant over backwards to do everything possible to help. However, I am grateful to the House for its support. All hon. Members have voiced the hope that outstanding matters can be considered in Committee. I stress that the work is complementary to the main work to be carried out in Liverpool Street—British Rail's development of Liverpool Street station and the hotel. Finally, I am grateful to the House for welcoming the Bill

Question put and agreed to.

Bill accordingly read a Second time and committed.

Members of Parliament (Salaries, Allowances and Travel Facilities)

8.5 pm

The Lord President of the Council and Leader of the House of Commons (Mr. John Biffen): I beg to move,

That, in the opinion of this House, the salaries payable to Members of this House in respect of service on and after 13th June 1982 should be at the following yearly rates—

- (1) £14,510 for Members not falling within paragraph (2); and
- (2) £8,460 for Officers of this House and Members receiving a salary under the Ministerial and Other Salaries Act 1975 or a pension under section 26 of the Parliamentary and other Pensions Act 1972.

Mr. Deputy Speaker (Mr. Bernard Weatherill): I understand that it will be convenient to take, at the same time, the following motions:

No. 3,

That the salaries payable to Members of this House in respect of service on and after 13th June 1982 should be at the following yearly rates—

- (1) £14,510 for Members not falling within paragraph (2); and
- (2) £8,460 for Officers of this House and Members receiving a salary under the Ministerial and Other Salaries Act 1975 or a pension under section 26 of the Parliamentary and other Pensions Act 1972.

No. 4,

That, in the opinion of this House, the limits specified in the Resolution of this House of 5 June 1981 in relation to the allowances payable in connection with a Member's office, secretarial and research expenses should be raised so as to make the limits—

- (a) in paragraph (a) of the Resolution (allowance in respect of aggregate amount of general office expenses and expenses on secretarial and research assistance), £8,752 for the year ending 31 March 1983 and £8,820 for any subsequent year; and
- (b) in paragraph (b) of that Resolution (provision for enabling a Member to make pension contributions in respect of persons in the payment of whose salaries expenses are incurred by him), £875 for the year ending 31 March 1983 and £882 for any subsequent year.

No. 5,

That in the opinion of this House, the facilities available to the spouse of a Member of this House for free travel in accordance with the Resolutions of this House of 7 April 1971 and 22 July 1975 on journeys within paragraph (a) or (b) of the said Resolution of 7 April 1971 should be extended to children of the Member under the age of 18; but any child's journey in respect of which facilities for free travel are provided in accordance with this Resolution should count against the number of journeys for which facilities for free travel are available to the Member's spouse.

For the purposes of this Resolution a Member's children shall be taken to include step-children, adopted children, foster children and any other child living as one of the Member's family.

No. 6,

That the draft Ministerial and other Salaries Order 1982, which was laid before this House on 27 May, be approved.

No. 7,

That this House—

- (a) welcomes the Report of the Select Committee on Members' salaries which was ordered by this House to be printed on 17 February 1982;
- (b) agrees with the recommendation in that Report that a review of Members' pay be conducted by the Review Body on Top Salaries once during the fourth year of each Parliament and that, where a shortened Parliament precludes this, the Review Body should carry out a new review not later than four years after the rates of salary consequent on the previous review first became payable;
- (c) agrees with the view expressed in that Report that, between such reviews, Members' salaries should be adjusted annually by reference to increases in outside

salaries, but does not accept the recommendation that there should be an annual automatic adjustment by reference to figures taken from the Department of Employment's New Earnings Survey;

(d) is of opinion that her Majesty's Government should instead, in the period between one such review and the next, 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 over a relevant period.

Before calling upon the Leader of the House to move the first of the six motions, I have to inform the House that the right hon. Member for Manchester, Openshaw (Mr. Morris) has asked permission to move amendment (b) to motion No. 2 and amendments (a) and (c) to motion No. 4 with figures differing slightly from those shown on the Order Paper. The proposed alteration in motion No. 4 would also involve two further amendments to that motion. Mr. Speaker has decided that it would be in the interests of the House to allow this to be done. Revised copies of pages 2864 and 2865 of the Order Paper have accordingly been placed in the Vote Office and a revised list of selected amendments has been placed in the Lobby.

Mr. Edward du Cann (Taunton): On a point of order, Mr. Deputy Speaker. I am sure that the House will appreciate your ruling, which is no doubt satisfactory from everyone's point of view. However, I wish to ask about the position at the conclusion of the debate. I do not know whether it is proposed to have any Divisions, but if so, would we take all the motions seriatim?

Mr. Deputy Speaker: We shall take them in that manner. Matters are complicated when we debate motions together, but the Chair will make the subject of the Division clear.

Mr. du Cann: I am much obliged. That is precisely the point that I had in mind.

Mr. Biffen: 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 hon. Members' Salaries to assist us.

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 (Mr. Lee). In the absence of recommendations by the Top Salaries Review Body this year, we considered that it was reasonable to increase hon. Members' pay, hon. 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 hon. 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 prejudice its conclusions. The Government's proposals are not generous, but in the circumstances—realism creeps through from time to time—I do not consider that they are unreasonable.

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 the second motion is required because an effective resolution of the House is necessary to increase Exchequer contributions to the Members' pension fund and to increase the pay of the United Kingdom Members of the European Assembly in line with that of Members of the 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 £8,460.

The motion on the secretarial allowance increases the maximum of the allowance in a full year to £8,820, with a further £882 available to enable an hon. Member to make pension contributions for his or her employee.

It might be helpful for the general structure of the debate if at this point I were to comment on the amendments which give an alternative option to the House. The amendments tabled by the right hon. Member for Deptford (Mr. Silkin) would increase that sum by 6 per cent. Any chosen figure is a matter of value judgment and a degree of arbitrariness. It would be appropriate for the House to stay with a proposal which is related to the pay factor in the Estimates and if this were to be seen to be leading to any significant fall in equitable levels of pay it would be subject to subsequent investigation and remedy by recommendation of the Top Salaries Review Body.

The other amendments which have been tabled by right hon. Member for Deptford and his associates concern the office, secretarial and research allowance. The amendments propose that there should be an increase of 8 per cent., double that which is proposed by the Government. That figure, however chosen, bears a certain arbitrary implication, but I cannot find it appropriate to recommend to the House a figure that is double that of the pay factor in the Estimates and which is a touch above the general level of settlement in both private and public sectors.

Mr. D. N. Campbell-Savours (Workington): Does the right hon. Gentleman accept that a proportion of the amount that is provided for secretarial and research allowances goes on other things which have little to do with pay; they are to do with purchases? Purchases can be far more directly related to the rise in the cost of living. Within that global figure, would it not have been better to have included some component to cover purchases and the substantially greater increases that relate to them?

Mr. Biffen: Once one moves into that territory, the index that one would choose for purchases would not necessarily be the retail price index. It might be the index of wholesale prices. We would be in difficult territory if we began to base the argument on the refined statistical indices that could be secured for that fraction—

Mrs. Elaine Kellett-Bowman (Lancaster) rose—

Mr. Biffen: —of the total spending on the office, secretarial and research assistance allowance which went to the purchase of goods and services.

Mrs. Kellett-Bowman: I apologise to my right hon. Friend for jumping up rather precipitately. Would he not think it fair if a different allowance were made to Members' secretaries who serve only one Member and who are relatively underpaid compared with those who serve two, three or even four Members, who are in some cases grossly overpaid? Should there not be some differential?

Mr. Biffen: My hon. Friend makes an important point which should not be squeezed into the reply that I was giving to the hon. Member for Workington (Mr. Campbell-Savours). All hon. Members must be profoundly conscious that broadly speaking we have a uniform system of allowances and yet immensely individual patterns of expenditure.

Mr. Campbell-Savours: That is a platitude.

Mr. Biffen: It may be a platitude but, my God, it is probably the truest thing that will be said this evening.

All these matters should be considered further by the Top Salaries Review Body. I would far sooner that the study and the determination was undertaken by an organisation with an arm's length relationship with the House than that the House were to be seen obviously voting its emoluments and fringe benefits. When I come to the long-term considerations in the second part of my speech, I will touch upon the prospects of the Top Salaries Review Body being able to undertake just such a study that can reflect upon the problems that were mentioned by my hon. Friend.

Mr. Alexander W. Lyon (York): The right hon. Gentleman has just expressed the fervent view that it was better that the Top Salaries Review Body should deal with our salaries at arm's length than for the House to deal with the matter itself. Will he give an undertaking that in future all the recommendations of the Top Salaries Review Body will be automatically accepted? Is not the alternative that the House should make up its own mind on the Government's advice?

Mr. Biffen: There has to be an almost Augustinian approach to virtue in these matters. That is the ideal to which one aspires and I would have hoped that the experience of recent years might consolidate the view that this is something which for the future ought to be observed more faithfully than it has been in the past.

Mr. Michael English (Nottingham, West) rose—

Mr. John Silkin (Deptford) rose—

Mr. Biffen: Without wishing to be obsequious to Privy Councillors, the right hon. Member for Deptford was first on his feet.

Mr. English rose—

Mr. Biffen: I give way to the hon. Gentleman.

Mr. English: Saint Augustine was the man who said "Lord make me chaste but not yet."

Mr. Silkin: I shall leave the Lord President of the Council further unbattered if I may, because there has been a number of interventions.

Mr. Biffen: I am glad that fraternity is still working.

Mr. Peter Bottomley (Woolwich, West): If the House is to vote for this sort of recommendation which is tied to Government expenditure or Estimates some months ago, would it not be far better for us to determine in the autumn of the previous year our increase from 13 June? We would be setting an example rather than trying to set an example after most other pay has been settled. Secondly, should not a Top Salary Review Body report at least be put to the House so that we can vote on it rather than it being modified by the Government and left as a take-it-or-leave-it issue?

Mr. Biffen: I shall answer my hon. Friend's point about the timing of the Government's figure. This is intended to be for this year only. I am sure that my hon. Friend will realise that the motions before the House are designed to get away from that position for the future. He has made a fair point about the timing, but I am sorry that this year I have to present the position as it is.

I did not entirely appreciate my hon. Friend's second point about the Top Salaries Review Body.

Mr. Bottomley: My point was that it might not be possible for the Government to accept that the recommendation of the Top Salaries Review Body should be enacted. Would the Government consider and ensure that the recommendation is put to the House so that they could then try to lead as many as wanted to away from it rather than forbidding even the possibility of its being enacted?

Mr. Biffen: My hon. Friend is asking me to anticipate the second part of my speech. However, at the end of the day the figure that is presented to the House is amendable. Therefore, if the House wishes to amend it in accordance with the review body's recommendation it is open to it to do so. That has always been the position.

Mr. George Cunningham (Islington, South and Finsbury) rose—

Mr. Biffen: No, I shall not give way now.

Mr. Cunningham: I should be most grateful on this point.

Mr. Biffen: I know that the hon. Gentleman would be, but I wish to complete the reference to the amendments. I do not think that I have indicated any unwillingness to give way. However, I have a responsibility to the House more generally to make a speech with some degree of structure as well as satisfying those who enjoy the blood sport of pursuing the Leader of the House in these circumstances.

The other amendment, which is quite an innovation, is the proposition that there should be a London weighting allowance for secretaries. The view has always been taken hitherto that a cash payment should be made and that how that is used in respect of secretarial services, either in London or in the provinces, or as between equipment and the employment of persons, should be left to the Member's discretion. Once the House begins to make judgments on how expenditures should be undertaken, it will move across a Rubicon which in the fullness of time it will regret having crossed. However, I have no wish to be seen to be obdurate. If the later motions are confirmed by the House and a review is established by the review body of allowances for Members, it is exactly the sort of problem that it can assess and upon which it can make recommendations.

Mr. George Cunningham: A few minutes ago, and quite rightly, the right hon. Gentleman said that the House is always free to substitute its figure for one that is tabled by the Government in the opinion-expressing motion, and that that has always been the tradition of the House in dealing with this subject. That only makes sense if the Leader of the House is prepared also to say that when the House does pass—I do not think that it will do so tonight because I think that it will pass the opinion-expressing motion as it stands on the Paper—an amendment which raises the figure in the opinion-expressing motion, the

Government will accept that as a decision of the House, and will then that night or on another night bring forward an amended, perfected motion to reflect the amended opinion-expressing motion which the House will then carry. Can the Leader of the House tell us whether that is his attitude on how these matters should be handled?

Mr. Biffen: No, I do not think that I can. I understand the point that the hon. Gentleman is making. The relationship between the House and the Government has not been at its happiest and most harmonious on these matters in recent years. I am proposing a modest step forward. I hope that it will take place in circumstances that will lead gradually to a better relationship that will not lead to the clashes that we have had in the recent past. There is nothing that I can say or pledge that will meet the hon. Gentleman's point in the way that he puts it. I think that the House will prefer me to say that in all candour. At the end of the day, these are matters in which the Government have a material political interest and they cannot abdicate the role which has often been performed by all Governments.

I return to the text of my speech as opposed to dealing with the amendments on the Order Paper. As is usual, no motions have been tabled on Members' other allowances—namely, the additional cost allowance, the London allowance and the car mileage allowance. These allowances 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 warrant system for spouses should therefore be extended to children, within the existing limits.

The Government accept that this is a reasonable proposition and the motion before the House provides for Members' children under 18 years 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.

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.

Mr. John Silkin: Is the Government's generosity towards the children of Members such that the number of free warrants will not be increased? Indeed, the Government will gain because in the majority of cases the children will have travelled for half price on the railway. The Government will be the gainer of half an adult's ticket.

Mr. Biffen: The right hon. Gentleman makes a fair debating point. However, the request for this reform, if I may dignify it by that description, came from Labour Back Benchers. I do not think that they will be as dismissive of

its symbolism as the right hon. Gentleman is. However, it is true that the entitlement is not increased as a result of this decision. The possibility of its utilisation may be further enhanced.

Mr. Silkin: Surely the Government will gain by this piece of so-called generosity because two children will travel for the same price to the Government as one adult. Therefore, in giving a ticket to a child they are gaining half an adult's ticket.

Mr. Biffen: I am grateful to know that in a previous Treasury incarnation I should be as pleased about the reform as I think I am pleased about it in my role as Leader of the House.

Mr. Barry Sheerman (Huddersfield, East): Surely the Government would have been more generous if they had considered carefully the basis of allowances for spouses and children. One of the penalties of being a Member of this place is being estranged from one's family. We should have free access to our children, and that is what most of us want. We are grateful for any flexibility in the system, but I have four children and I like to see them as much as possible. I do not think that I should be rationed on how often I can see them.

Mr. Biffen: The House should reflect seriously before giving to itself privileges for children's travel which will be sought equally by those in many other occupations which involve the estrangement of families.

Mr. Sheerman: How many?

Mr. Biffen: The numbers argument is a most dangerous one to use in these circumstances. The way in which we treat ourselves is monitored most closely in the outside world. The fact that we are a mere 600-odd is not a material factor in the argument. I am distressed that what was an attempt to have a more generous interpretation of the spouse allowance has resulted in an attack on the Treasury Bench for apparent niggardliness.

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 should like to thank the Select Committee on Members' Salaries, whose report forms the starting point of what I shall have to say, for all its efforts. Members' pay is a notoriously difficult subject for the House and, even though I am not able to agree with all its conclusions in every respect, I consider that the Select Committee has presented the House with a most constructive report.

The Select Committee recommended, first, 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.

The Government accept 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

[Mr. Biffen]

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 four years to get us back on it again.

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 should 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.

How Members' pay is adjusted between reviews also poses a problem. The Government reluctantly accept that there should be some form of adjustment by reference to changes in outside salaries, that is, some form of linkage. We have no enthusiasm for the idea, but, in view of resolutions of the House on the subject in recent years and of what the Select Committee says, 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.

Mr. Gregor MacKenzie (Rutherglen): I am a little puzzled by the Government's reluctance to link pay with an outside body. A few moments ago the Leader of the House said that he was not able to tell us what car allowances and London allowances would be in the year ahead because he had to wait until such time as those figures had been sorted out for the Civil Service. We seem to be linked to the Civil Service for our car and living in London allowances, but apparently it is obnoxious to the right hon. Gentleman to have similar linkage on salary. Some of us are a little puzzled about his attitude on the question.

Mr. Biffen: The Select Committee was not proposing a linkage in respect of salaries. We are discussing the interim increases between the four-yearly review by the Top Salaries Review Body and what form of linkage would be appropriate for that practice. I should strongly discourage the concept that the House should expect for itself some kind of automatic pay increase that proceeded by some stealthy manner or some wholly irreversible manner—for that is what it would seem to do. If the House is not prepared to accept the responsibility of discussing these things once a year, then there will be a great deal of well-justified anxiety and suspicion about how we concluded these matters.

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 that it records are therefore,

on average, over a year old when it is published. That could give rise to great difficulty in a period when the rate of increase in pay settlements was falling.

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 that 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 the average, there could be circumstances where that course could not be followed for one reason or another. In short, the Government reserve the right to respond flexibly to exceptional circumstances.

The motion refers to "appropriate groups in the public service". The groups that I have in mind are the non-industrial Civil Service, primary and secondary teachers, National Health Service doctors, dentists and 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 have 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 that I have mentioned all have their settlement date on 1 April. That is useful as it means that, on the one hand, the changes in pay would be recent, unlike the new earnings survey link, and, on the other, that the settlements should have been concluded in time for a debate on Members' pay before the Summer Recess.

The Government do not propose to apply linkage to Minister's pay, or to the secretarial allowance. Between Top Salaries Review Body reviews those items would be revised on an ad hoc basis.

Much passion is aroused by the question of linkage, but in the scheme that I have outlined and that recommended by the Select Committee it is only of secondary importance. The periodic reviews by the TSRB will be the chief means of keeping Members' pay on a satisfactory basis. Providing that those are undertaken regularly, it does not matter much if the interim arrangements are approximate rather than precise.

Amendments have been tabled which concern these resolutions. The first, which deals with the important matters of pension and severance pay, was tabled by the right hon. Member for Deptford. The hon. Member for York (Mr. Lyon) tabled an amendment on pensions, but it was not selected. I understand the concern about severance pay, although it has been examined in the past. However, it would be appropriate, if the House votes for the Government motion this evening, that the Top Salaries Review Body should undertake this autumn a consideration of the matters that are dealt with in those amendments.

There are other amendments in the name of the right hon. Member for Deptford (Mr. Silkin) and my right hon. and learned Friend the Member for Hendon, South (Mr.

Thomas) that invite the House to accept the full Select Committee report without addition, adjustment or amendment. The House is confronted with a straight choice this evening in the Lobbies. The first is, about the comparita that will be used for calculating the interim increases. I have explained our reservations about the new earnings survey as a means of securing the comparisons because we believe that the range of public sector settlements is more appropriate.

The second is whether the increase that will be derived from the comparita should be automatic, as are the mileage allowance or the additional cost changes, or whether it should be the subject of debate, endorsement and confirmation by the House each year. It would be a most significant and dubious departure if we proceeded to a position whereby the annual increase was made automatically without any possibility of judgment in the House. That is why I believe that the arrangements for accepting much of the spirit of the Select Committee's report, buttressed by the Government's proposals, will enhance what is before the House. I hope that we can come to a broad and settled view. The Government's response to the Select Committee's recommendations has been sympathetic and is none the worse because it has not been an unconditional endorsement.

If the House supports the proposals that I have outlined, we shall have taken a modest step in the direction of freeing Members' pay from the capricious circumstances that have attended it in recent years. No doubt we shall have our quota of problems in the future, but I hope that we can avoid the worst pitfalls. I am sure that the House will not expect a perfect arrangement, but I am convinced that the Government's proposals offer a modest and tangible way forward.

8.43 pm

Mr. Charles R. Morris (Manchester, Openshaw): I beg to move amendment (a), to leave out "£14,510" and insert "£14,787".

I understand that it will be convenient also to take the following amendments:

- (b), to leave out "£8,460" and insert "£8,618".
- (a) to motion No. 4, to leave out "£8,752" and insert "£9,022".
- (b) to motion No. 4, to leave out "£8,820" and insert "£9,158".

(c) to motion No. 4, at end add

"(c) additionally, that in those cases where individual Members can authenticate the expenditure they be reimbursed for the payment of an annual London weighting allowance of £1,087 to their secretaries".

(a) to motion No. 7, to leave out from "1982" to end of motion and add

"and agrees with the recommendations of that Report".

(b) to motion No. 7, to leave out from "payable" to end and add

(c) agrees with the view expressed in that Report that, between such reviews Members salaries should be adjusted annually by reference to increases in outside salaries as indicated in the nearest percentile in the Department of Employment's New Earnings Survey.

(d) does not accept the view in that Report that the question of Members' pensions and severance payments should be subsumed under the general heading of "Pay" to await consideration in the context of the next general review of Members' pay, but is of the opinion that, in the light of anomalies inherent in the present severance

arrangements and the increased insecurity attached to the role of a Member, the Top Salaries Review Body be requested to undertake an urgent review of pension and severance arrangements and make recommendations accordingly.

I preface my contribution to the debate by paying tribute to the Chairman and members of the Select Committee, whose report provides a valuable and helpful backcloth to the debate. If I have decided reservations about some features of their recommendations, that is in no way a reflection on the diligent and responsible way in which they have carried out their task. Having read their report, I also wish to express my appreciation of the oral evidence of the right hon. Member for Taunton (Mr. du Cann), my right hon. Friend the Member for Sunderland, North (Mr. Willey) and, of course, my hon. Friend the Member for Easington (Mr. Dormand) for the continuing work that he has undertaken on behalf of Labour Members.

I have listened attentively to the Leader of the House. Parliamentary salaries should not be so generous as to be an attraction in themselves nor so low as to discourage able aspirants from seeking membership of the House. Members have a right to a fair and reasonable scale of remuneration and a salary sufficient to enable them to do what their constituents increasingly expect of them—to devote a major part of their time, if not their whole time, to their parliamentary duties. It is on the basis of that simple proposition that I take issue with the figures in the motion tabled by the Leader of the House on behalf of the Government.

Right hon. and hon. Members on both sides of the House accept that parliamentary salaries cannot be fully protected, nor indeed isolated, from the consequences of economic inflation. Nor is anyone in the House impervious to the political sensitivities, to which the Leader of the House referred, surrounding the question of Members' pay and allowances. It is time we started distinguishing myth from reality in this issue.

It is a myth that the sustained restraint and self-discipline which Members have exercised over many years in regard to parliamentary pay has ever persuaded anyone to follow our example. The reality is that, during the last 20 years, there is no recorded case of any group—administrative, professional or manual—ever following the lead in pay restraint demonstrated by Members of the House.

If we take the operative date of the proposed annual interim increases, 13 June, in the context of the annual wage cycle, we are at the end of the queue. I suspect that we have been deliberately pushed to the end of the pay round so that parliamentary pay will not be taken as a lead—

Mrs. Kellett-Bowman: Even if one were to accept the right hon. Gentleman's argument that people do not follow us when we are restrained, would he not agree that if we were unrestrained at a time when they are being restrained, it would have the opposite effect and we would be setting an extremely bad example?

Mr. Morris: I can understand the feelings which have generated that thought in the hon. Lady's mind, but I cannot recall an occasion when increases given to Members and Ministers could ever be designated as unrestrained. I invite the hon. Lady or, indeed, any hon.

ere are hon. Members who represent constituencies in the provinces and who have secretaries there. Of course, the cost of living is more in London. We have all accepted that. We accepted it for ourselves. There is nothing unusual about that.

Mr. Terence Higgins (Worthing): Hon. Members who do not have London constituencies but who live in London and have no other residence do not get a London weighting.

Mr. Silkin: That is perfectly true, but on the other hand they get allowances that London Members do not get, as the right hon. Gentleman knows.

Mr. Higgins: The right hon. Gentleman is wrong. Those hon. Members in the circumstances that I have just described do not get any allowance whatever.

Mr. Silkin: I stand corrected. I am astonished. I thought that London Members did rather worse than provincial Members. Perhaps the Leader of the House can enlighten us on this, I see that he remains seated. I thought that he, as the Leader of the House and a provincial Member must know. Perhaps we can compromise the issue. I do not want to take up too much time.

If the Inner London allowance is paid to London Members, it strengthens the case for a large Inner London allowance for provincial Members. Perhaps the right hon. Member for Worthing (Mr. Higgins) will begin to press for that. I am astonished that he has not tabled an amendment on that. //

Mr. Biffen: My silence was intended to be a mercy to the House. I should explain that I am certain that the circumstances of my right hon. Friend the Member for Worthing (Mr. Higgins) are quite different from mine, as a Member of Parliament for a rural area and as an office holder. However, I think that I fully understand my right hon. Friend's point.

Mr. Silkin: The right hon. Member for Worthing (Mr. Higgins) has had his fun, but next time he should table an amendment. He should speak on it in the relevant context. We are discussing not payments to hon. Members, but payments to secretaries. We are discussing why they should receive Inner London weighting. They work alongside secretaries who receive Inner London weighting. Inner London weighting is not unusual. Let us consider the allowance. We have an extraordinary idea of what a top salary is. Can it be that £14,000 is a top salary? That is our salary and it is subject to the Review body on Top Salaries. We have a most extraordinary idea of a top salary.

We must do something about our secretaries. As the Leader of the House said, the relationship between a Member of Parliament and his secretary is an important, personal political relationship. However, it is a financial relationship in which the secretary gives of her time and career so that she can assist the Member of Parliament. It is not right that secretaries should have to take what little there is available. If, as the right hon. Member for Taunton (Mr. du Cann) said, we were paid sufficiently, we could pay our secretaries out of that amount. No doubt that was true in David Lloyd George's day. However, the modern equivalent of £400 in 1912 is £40,000 a year. I would willingly make that exchange.

We have not debated the subject of severance payments in detail, but I shall spend three minutes on it. Any hon.

Member who leaves the House can get a severance payment, subject to age and length of service; ranging from six to 12 months. However, the conditions vary slightly. For example, if one's constituency disappears in a major boundary redistribution one becomes eligible. The difference between a major and a minor redistribution might be only two constituents. If an hon. Member is defeated in an election he is also eligible. However, any hon. Member can make himself eligible, even if there is no major redistribution and even if he does not contest his seat. He need put down a deposit of only £150 in any constituency. He need take no part in the election, but he is then entitled. I am over 50—although hon. Members may not have guessed it—and have been a Member of Parliament for more than 15 years, although hon. Members will be unaware of that fact. Therefore I am entitled to a year's severance pay. I need only contest a constituency such as Oswestry at the next election to get a year's severance pay. How ridiculous.

In other words, the House has said that if an hon. Member wants to get his severance pay he can do so. Why not say that every hon. Member—whether he retires, is defeated or is the victim of a boundary redistribution—should receive severance pay on the scale laid down. It is not a generous scale. If we slightly amended the Congress resolution and provided that no civil servant may do better in any way than a Member of Parliament, there would be a great difference. Civil servants do extremely well in comparison with us when it comes to retirement pensions.

I conclude by saying that I think that there are three issues on which the House should divide. These issues are the percentage increase for Members of Parliament—I believe that it should be 6 per cent. and not 4 per cent.—the secretarial allowance and severance pay. There will be free votes, of course, and I cannot bind anyone. I do not wish to do so.

Mr. Biffen: This has been a fairly lengthy debate, although not particularly so by the standard of debates on this subject. The debate has had its nuances and changes of mood. It was much enlivened in its later stages by the hon. Member for Ince (Mr. McGuire), who must have been inspired by the consideration of the Northern Ireland Bill. The hon. Gentleman brought to our proceedings an encyclopaedic consideration of our problems, which added to the charm and compelling nature of his case. Alas, I cannot accept his arguments on linkage.

The hon. Member for Nottingham, West (Mr. English) said that this was a baptism of fire for me, and that is probably true. Given that there is real diffidence about considering these matters in the House, the debate has proceeded in a good, measured and constructive fashion. For all our allegations of cowardice and almost total reluctance to address ourselves to these great issues on pay, it seems that we overcame our inhibitions. In doing so we were immensely assisted by my right hon. and learned Friend the Member for Hendon, South (Mr. Thomas) and by all those who served with him on the Select Committee. —

It is proposed in the motion that Members' pay and the secretarial allowances should increase by 4 per cent., which reflects the pay factor in the Estimates. This has not been universally welcomed in the House, but I was reinforced by the support that I received from my right hon. Friend the Member for Taunton (Mr. du Cann). I note

[Mr. Biffen]

that the right hon. Member for Deptford (Mr. Silkin) intends to divide the House on Members' pay. The increase of 4 per cent. is a value-judgment figure. It is somewhat less than generous, but it is defensible.

Mr. Mike Thomas: Is there a group of workers covered by the Estimates which has been offered 4 per cent. and accepted it?

Mr. Biffen: There is not. If I had had such evidence, I should have used it.

The proposals for the secretarial allowance have given rise to a sharp feeling of anxiety. I take note of the speeches of the right hon. Member for Manchester, Openshaw (Mr. Morris) and of the hon. Member for Sheffield, Heeley (Mr. Hooley). I accept that there is concern about the comparison to be drawn between what happens to those who are employed in the Civil Service and work alongside secretaries employed by Members and what happens to Members' secretaries themselves. The differences in terms and conditions give rise to problems. That is why it is important that the review body should have an early remit to consider the allowances. In that context, I also took note of the argument put forward by the hon. Members for Cardigan (Mr. Howells) and for Nottingham, West, that not only the sums, but the way in which the sums are paid are matters for consideration by that body.

The debate has also ranged widely on matters other than pay. Perhaps the most significant single topic that featured in the speeches was that of pensions. My right hon. Friend the Member for Taunton has made his views on this subject clear on many occasions. I am sure that the House was pleased to have those views reinforced this evening. He again marched in step with the right hon. Member for Openshaw.

The hon. Member for York (Mr. Lyon) made a particularly effective and poignant speech, in which he referred to some of the difficulties faced by our colleagues after their defeat at the last election. I sense that this is something on which feelings in the House are not only strong, but are rising. Although the TSRB has recently examined pensions, it is appropriate that this should again be one of its early considerations.

The hon. Member for Glasgow, Provan (Mr. Brown) made a powerful speech on the problems of severance. The matter was also mentioned by the right hon. Member for Deptford. Although I sound as though I am passing the ball down the line, it is a fact that no really effective judgments can be made on these matters until we have the measured judgment of the TSRB. The important thing is to have these matters remitted to it as speedily as possible so that it can begin its work this autumn.

Needless to say, during the debate the question of the general level of Members' pay was raised. My hon. Friend the Member for Woolwich, West (Mr. Bottomley) made a distinguished speech. It was the only one that supported my position, and I am extremely grateful to him for so doing. He said that the absolute level of Members' pay was unacceptably low, and he hoped a remedy would soon be found. I enjoyed his powerful contribution.

The item that formed the core of the debate, notwithstanding the importance of the 4 per cent. issue was the report of the Select Committee. I welcomed the words of the right hon. Member for Deptford on the importance

of the TSRB. One or two previous remarks by his hon. Friend the Member for Norwich, South (Mr. Garrett), could at least bear the interpretation of his being somewhat less than enthusiastic about it.

We shall not proceed to a more settled consideration of these matters unless the review body has the fullhearted support and confidence of the House. Central to the recommendations of the Select Committee is the role of the review body.

Mr. George Cunningham: That sticks in the craw of many of us a great deal. Apart from the fact that Governments have on many occasions rejected the recommendations of the Committee, in this Parliament the Prime Minister gave a promise to the review body that the Government would implement what it next recommended. She went back on that promise, and the right hon. Member voted in the Cabinet to support her.

Mr. Biffen: If the hon. Gentleman feels that there has been a deplorable standard of conduct by successive Governments in respect of the review body, I only hope that at this hour he will feel sufficiently uplifted by my charitable comments about the body to take encouragement and not repudiate me as though I were here to perform a cynical exercise.

As to the work of the Select Committee and the Government's reaction to it, I understand that the authors of the report are rather disappointed that it has not been accepted in full by the Government, but I doubt whether the Government's reaction merits some of the language used in the debate. The hon. Member for Provan said that the Government's reaction was a "slap in the face" to the Select Committee. My hon. Friend the Member for North Fylde (Sir W. Clegg) said that the Government's reaction was "cynical". My hon. Friend the Member for Sevenoaks (Mr. Wolfson) said that he was unwilling to trust the Government—I do not mean that in the harsh sense—in the light of their past behaviour.

The difficulty has been the Government's reaction to the choice of comparator for the linkage and whether the figure produced by the comparator should be automatic or should come to the House for authority. My right hon. and learned Friend the Member for Hendon, South, the Chairman of the Committee, said that the House could not abandon its ultimate responsibility for determining Members' salaries. Are the Government entitled to say "We accept the principle of linkage, although we have a different comparator from the new earnings survey, but we believe that it would be unwise to establish the precedent of automatic pay increases during a four-year period where the House did not have the responsibility or was not required to make a judgment on those matters."

The comparator of the new earnings survey is not the most satisfactory. I gave some reasons for that in my opening speech. I inquired about the percentage change in earnings within the lifetime of this Parliament. The new earnings survey comes up with a figure of plus 53 per cent., against average earnings of plus 36 per cent. If that was believed to be the means whereby an automatic pay increase would be secured, the position would be politically embarrassing and would demonstrate the wisdom of having another comparator and of the House being entitled to have a view on the matter.

For those reasons, I ask my hon. Friends to support the Government's adjustments to the Select Committee report, because I believe that that is the best way in which to proceed.

Question put, That the amendment be made:—

The House divided: Ayes 41, Noes 136.

Division No. 201]

[12.09 am

AYES

Atkinson, N. (H'gey,
Bagier, Gordon A.T.
Benn, Rt Hon Tony
Booth, Rt Hon Albert
Brown, Hugh D. (Provan)
Campbell-Savours, Dale
Carter-Jones, Lewis
Cocks, Rt Hon M. (B'stol S)
Cohen, Stanley
Cook, Robin F.
Cowans, Harry
Crowther, Stan
Cunningham, G. (Islington S)
Davis, Clinton (Hackney C)
Davis, Terry (B'ham, Stechf'd)
Dormand, Jack
Evans, John (Newton)
Foster, Derek
Garrett, John (Norwich S)
Harrison, Rt Hon Walter
Home Robertson, John
Howells, Geraint
Lyon, Alexander (York)

McDonald, Dr Oonagh
McGuire, Michael (Ince)
McKay, Allen (Penistone)
McNamara, Kevin
Mitchell, Austin (Grimsby)
Morris, Rt Hon A. (W'shawe)
Morris, Rt Hon C. (O'shaw)
Price, C. (Lewisham W)
Sheldon, Rt Hon R.
Silkin, Rt Hon J. (Deptford)
Snape, Peter
Soley, Clive
Spearing, Nigel
Stoddart, David
Straw, Jack
Walker, Rt Hon H. (D'caster)
Whitehead, Phillip
Woolmer, Kenneth

Tellers for the Ayes:

Mr. Michael English and
Mr. Frank Hooley.

NOES

Allison, Rt Hon Michael
Ancram, Michael
Baker, Kenneth (St. M'bone)
Baker, Nicholas (NDorset)
Beaumont-Dark, Anthony
Berry, Hon Anthony
Best, Keith
Bliffen, Rt Hon John
Blaker, Peter
Boscawen, Hon Robert
Bottomley, Peter (W'wich W)
Boyson, Dr Rhodes
Brittan, Rt. Hon. Leon
Brooke, Hon Peter
Bruce-Gardyne, John
Bryan, Sir Paul
Buchanan-Smith, Rt. Hon. A.
Buck, Antony
Butcher, John
Cadbury, Jocelyn
Carlisle, Kenneth (Lincoln)
Chalker, Mrs. Lynda
Channon, Rt. Hon. Paul
Chapman, Sydney
Clark, Sir W. (Croydon S)
Clarke, Kenneth (Fushcliffe)
Clegg, Sir Walter
Cope, John
du Cann, Rt Hon Edward
Dunn, Robert (Dartford)
Edwards, Rt Hon N. (P' broke)
Eggar, Tim
Eyre, Reginald
Fenner, Mrs Peggy
Finsberg, Geoffrey
Fletcher, A. (Ed'nb'gh N)
Fletcher-Cooke, Sir Charles
Forman, Nigel
Fowler, Rt Hon Norman
Fraser, Peter (South Angus)
Garel-Jones, Tristan
Glyn, Dr Alan
Goodhew, Sir Victor
Goodlad, Alastair
Greenway, Harry

Griffiths, E. (B'y St. Edm'ds)
Hamilton, Hon A.
Hamilton, Michael (Salisbury)
Hampson, Dr Keith
Havers, Rt Hon Sir Michael
Hawkins, Paul
Hayhoe, Barney
Heseltine, Rt Hon Michael
Higgins, Rt Hon Terence L.
Hogg, Hon Douglas (Gr'th'm)
Howe, Rt Hon Sir Geoffrey
Howell, Rt Hon D. (G'ldf'd)
Hurd, Rt Hon Douglas
Jenkin, Rt Hon Patrick
Jopling, Rt Hon Michael
Joseph, Rt Hon Sir Keith
King, Rt Hon Tom
Lamont, Norman
Lang, Ian
Lawrence, Ivan
Lawson, Rt Hon Nigel
Lee, John
Lyell, Nicholas
Macfarlane, Neil
MacGregor, John
McNair-Wilson, M. (N'bury)
Major, John
Marlow, Antony
Marten, Rt Hon Neil
Mather, Carol
Mayhew, Patrick
Mellor, David
Miller, Hal (B'grove)
Mills, Iain (Meriden)
Miscampbell, Norman
Mitchell, David (Basingstoke)
Moate, Roger
Moore, John
Morrison, Hon C. (Devizes)
Morrison, Hon P. (Chester)
Myles, David
Nelson, Anthony
Newton, Tony
Onslow, Cranley
Page, Richard (SW Herts)

Parkinson, Rt Hon Cecil
Patten, John (Oxford)
Pawsey, James
Percival, Sir Ian
Pollock, Alexander
Raison, Rt Hon Timothy
Rathbone, Tim
Rees, Peter (Dover and Deal)
Rees-Davies, W. R.
Rhys Williams, Sir Brandon
Ridley, Hon Nicholas
Rifkind, Malcolm
Roberts, M. (Cardiff NW)
Roberts, Wyn (Conway)
Rossi, Hugh
Sainsbury, Hon Timothy
Shaw, Michael (Scarborough)
Shelton, William (Streatham)
Silvester, Fred
Sims, Roger
Skinner, Dennis
Stewart, A. (E'renfrewshire)
Stewart, Ian (Hitchin)
Stradling Thomas, J.
Tebbit, Rt Hon Norman

Thomas, Rt Hon Peter
Thompson, Donald
Thornton, Malcolm
Townend, John (Bridlington)
Trippier, David
Vaughan, Dr Gerard
Viggers, Peter
Waddington, David
Wakeham, John
Waldegrave, Hon William
Walker, Rt Hon P. (W'cester)
Waller, Gary
Ward, John
Warren, Kenneth
Wells, Bowen
Whitelaw, Rt Hon William
Wiggin, Jerry
Winterton, Nicholas
Wolfson, Mark
Young, Sir George (Acton)
Younger, Rt Hon George

Tellers for the Noes:

Mr. David Hunt and
Mr. Selwyn Gummer.

Question accordingly negatived.

Main Question put and agreed to.

Resolved,

That, in the opinion of this House, the salaries payable to Members of this House in respect of service on and after 13th June 1982 should be at the following yearly rates—

- (1) £14,510 for Members not falling within paragraph (2); and
- (2) £8,460 for Officers of this House and Members receiving a salary under the Ministerial and Other Salaries Act 1975 or a pension under section 26 of the Parliamentary and other Pensions Act 1972.—[Mr. Biffen.]

MEMBERS' SALARIES

Queen's Recommendation having been signified—

Resolved,

That the salaries payable to Members of this House in respect of service on and after 13th June 1982 should be at the following yearly rates—

- (1) £14,510 for Members not falling within paragraph (2); and
- (2) £8,460 for Officers of this House and Members receiving a salary under the Ministerial and Other Salaries Act 1975 or a pension under section 26 of the Parliamentary and other Pensions Act 1972.—[Mr. Biffen.]

MEMBERS' OFFICE, SECRETARIAL AND RESEARCH ALLOWANCE

Motion made, and Question proposed,

That, in the opinion of this House, the limits specified in the Resolution of this House of 5th June 1981 in relation to the allowances payable in connection with a Member's office, secretarial and research expenses should be raised so as to make the limits—

- (a) in paragraph (a) of the Resolution (allowance in respect of aggregate amount of general office expenses and expenses on secretarial and research assistance), £8,752 for the year ending 31st March 1983 and £8,820 for any subsequent year; and
 - (b) in paragraph (b) of that Resolution (provision for enabling a Member to make pension contributions in respect of persons in the payment of whose salaries expenses are incurred by him), £875 for the year ending 31st March 1983 and £882 for any subsequent year.—[Mr. Biffen.]
- Amendment proposed: (a), to leave out '£8,752' and insert '£9,022'.—[Mr. John Silkin.]*

Question put, That the amendment be made:—

The House divided: Ayes 44, Noes 132.

Division No. 202]

[12.22 am

AYES

Atkinson, N. (H'gey,
Benn, Rt Hon Tony

Booth, Rt Hon Albert
Brown, Hugh D. (Provan)

PRIME MINISTER

MPs' PAY

If it is suggested at tomorrow's meeting that there should be a link between MPs' pay and some point in the Civil Service pay scales, you might find it helpful to have the following tables:

	£	<i>New scales, if agreed - i.e. Apr 1983</i>
<u>Assistant Secretary</u> (including inner London Weighting)	24,409 (maximum) 23,552 22,696 21,800 20,493 (minimum)	
<u>Senior Principal</u> (including inner London Weighting)	22,044 (maximum) 20,330 18,878 17,593 (minimum)	
<u>Principal</u> (including inner London Weighting)	17,906 (maximum) 13,900 (minimum)	

The arguments against this suggestion, as I see it, are:

- (i) by choosing a single analogue we would transfer to that analogue all the controversy which at present attaches to Members' pay;
- (ii) if this move were to take the steam out of the debate, it would be necessary to choose a point - say the top of the Principal scale - somewhere near the Review Body's recommendation. Even with a three-year staging, this would mean double figure increases every year - especially if the commitment were to reach the top of the Principal scale, as it then would be, in 1986.

MCS

4 May 1983

SECRET AND PERSONAL



file No

10 DOWNING STREET

From the Private Secretary

3 May 1983

Dear David,

19th REPORT OF THE TSRB

I attach a copy of the 19th Report of the TSRB.

As we discussed on the telephone earlier this morning, I should be grateful if you would ensure that its circulation is tightly restricted, so that, outside your Office, it is seen only by Mr. Oulton and Mr. Dempster.

Yours sincerely,

Michael Scholar

David Watts, Esq.,
Lord Chancellor's Office.

SECRET AND PERSONAL

WJ

PERSONAL AND CONFIDENTIAL



file

da
Ewan P. J.

10 DOWNING STREET

From the Private Secretary

3 May 1983

TSRB Report

I enclose a copy of the TSRB Report.

I would be grateful if you would restrict its circulation tightly, so that, apart from yourself and your Secretary of State, only Mr. Whitmore, Mr. France and Sir David Evans see the Report.

M. C. SCHOLAR

Nick Evans, Esq.,
Ministry of Defence.

PERSONAL AND CONFIDENTIAL

PART 4 ends:-

Gregson to PM (P.01010) 29/4/83 + attach.

PART 5 begins:-

MCS to MOD 3/5/83.

