PREM 19/2384

PART 6.

MT

CONFIDENTIAL FILING

MPs Pay and Pensions

PARLIAMENT MEMBERS

PART 1: JUNE 1979

PART 6: SEPT. 1985.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~4/9/85~~		30.11.87					
~~13.6.86~~							
~~18.6.86~~		PT 6					
~~10.7.86~~		GNOS					
~~19.7.86~~							
~~17.7.86~~							
~~18.9.86~~							
10.10.86							
~~15.10.86~~							
~~16.10.86~~							
24.10.86							
~~29.10.86~~							
~~14.4.87~~							
~~28.4.87~~							
~~15.6.87~~							
~~22.6.87~~							
~~30.6.87~~							
~~3.7.87~~							
7.7.87							
~~8.7.87~~							
~~15.7.87~~							
~~28.7.87~~							
~~3.11.87~~							
4.11.87							
~~11.11.87~~							
13.11.87							
~~29.11.87~~							

PREM 19/2384

PART 6. ends:-

UPS TO UPC. 30.11.87.

PART 7. begins:-

SS/EMPLOYMENT TO UPC. 1.12.87.

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
H(87) 37	26/11/1987
CC(86) 28th Meeting, item 2	17/07/1986
CC(86) 27th Meeting, item 1	10/07/1986

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

Signed J. Young Date 27/7/2015

PREM Records Team

cc BG

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

1 bpm

30 November 1987

Dear Willie

PERSONAL PENSIONS AND MPs

I have seen Peter Brooke's paper for ~~'H'~~ attached Committee on personal pensions for MPs, and felt I should write to set out my views more fully.

The general policy on minimum employer contributions was collectively agreed in 1985, and has recently been confirmed by all those concerned. In my view, the Parliamentary scheme falls squarely within that policy. In response to the first of only two enquiries this year about personal pensions and the Parliamentary scheme John Biffen set out in a letter to Michael Stern in April our position on the employer's contribution. This was copied to Norman Fowler and was not questioned at the time.

I am strongly in support of Peter Brooke's paper about the minimum employer contribution policy applying to the Parliamentary scheme. There is no obvious pressure from MPs for a different arrangement, and the trustees of the Fund have shown little interest in personal pensions. Furthermore, treating MPs more generously could risk bringing an unwelcome element of party political division into discussion of the Parliamentary scheme - which, I believe, it would be greatly preferable to avoid.

Norman Fowler has argued that the special employment situation of MPs justifies making them an exception. It seems to me that the Parliamentary scheme is already tailored to reflect that situation. The scheme has a faster than average accrual rate. On leaving parliament, a Member can either leave his benefits in the scheme, with inflation proofing up to and after his retirement, or transfer accrued rights into another scheme, or into a personal pension arrangement, at a transfer value that reflects the fast rate of accrual.

/Over...

If Peter Brooke's paper is agreed at 'H' Committee, there might well be advantage in making this clear at the same time as the answer to the PQ on the public services is published. But I would wish to add to any announcement that the Parliamentary Scheme trustees would be consulted. If, however, the view of 'H' Committee were to be different, further consideration of any change should await the TSRB's Report on the Parliamentary scheme, expected at the end of February. In the meantime, our public line should be that the TSRB is currently reviewing the scheme, and that the Government's evidence to the Review Body set out its intention to pay only the statutory minimum employer's contribution in respect of MPs who opted for a personal pension.

I am copying this letter to the Prime Minister, James Mackay, Kenneth Baker, Norman Fowler, Douglas Hurd, Tom King, John Moore, Nicholas Ridley, Malcolm Rifkind, Peter Walker and George Younger; and to Sir Robert Armstrong.

Yours ever

JOHN

JOHN WAKEHAM

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall SW1

PRIME MINISTER

The attached paper on personal pensions for Members of Parliament is to be taken by H next week. The Paymaster General's line - with which I think you would agree - is that the contribution for MPs should be the same as that for other members of the public service. The Employment Secretary feels strongly that a higher rate is justified for MPs partially because of the nature of their employment, and also because their scheme is fully funded, and there would not therefore be any immediate cost. This is not true in the case of the public service generally where pension contributions are not funded, the pensions are simply paid as we go along.

I suspect that if the Paymaster General's line is not successful at H you would want colleagues generally to consider the issue before a final decision was made.

Content for me to mention this to the Lord President's Office? Yes

PNB

P.A. BEARPARK
27 November 1987

EL3CHV

CONFIDENTIAL

PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

N L Wicks Esq CBE
Principal Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

26 November 1987

Dear Nigel

PERSONAL PENSIONS FOR MEMBERS OF PARLIAMENT

I am sure you have been amused by the correspondence between the Paymaster General and the Employment Secretary about this. You might like to know that this issue is being considered at H Committee next Tuesday. I enclose a copy of the Paymaster's memorandum: I expect the Lord Privy Seal and the Employment Secretary to circulate their own comments later this week.

Yours ever

Simon

S P JUDGE
Private Secretary

If H disagree with the PMG's recommendation, ~~the PM~~ it should be referred to the PM, & probably go to Cabinet.

NLW.
27.9

cc Mr Wicks

P. Hayden

LORD PRIVY SEAL

c Mr Dixon
Mr Sheridan
Mr de Berker

TSRB: ORAL EVIDENCE ON 18 NOVEMBER

I have spoken to the TSRB Secretariat about the likely lines of questioning for your appearance to give oral evidence. I hope that the Treasury officials to whom I have copied this minute will be able to provide briefing on these specific points, in addition to any more general material they will be preparing for your appearance.

Personal Pensions

- Are MPs really being offered a choice of opting out of the Parliamentary scheme if the Government as employer is going to offer only the minimum contribution?

- Personal pensions are particularly suitable for MPs' circumstances: as such, should not they be made more available to them?

- What will happen when newly elected MPs arrive at Westminster with existing personal pension arrangements which they wish to continue?

Resettlement grants

- It is clear from the written evidence that the Government do not think that resettlement grants should be available to MPs over the age of 65 - what about to MPs between 60 and 65?

- Are the basic principles behind resettlement grants valid?

Early retirement

- How widespread is support in the House for improved provisions for early retirement?

Retrospection

- There is no mention in the written evidence on whether any changes should apply retrospectively to those who left the House at the last Election: what are the Government's views on this point?

Service as an MEP

- The roles of MP and MEP are inter-related: is the distinction between service as an MP and as an MEP really valid?

MPs' contributions to the Pension Fund

- The Government's evidence concentrates on the total contribution (22%). What about the MPs' share of this (9%) - should it be lower? [In view of the Trustees' evidence that the MPs' contribution should be lower, you are likely to be pressed on this.]

Pensions for the Prime Minister, Lord Chancellor and Speaker

- Is the cap on the level of pensions attainable by past office-holders justified?

- Have those affected by being excluded from the Parliamentary Pension Scheme by virtue of their office expressed any views about their exclusion? Do you have any views?

- The evidence refers to making these pension arrangements "better adapted to present circumstances". What does the Government have in mind?

Severance pay

The line of questioning was not finalised on this subject, but is likely to concentrate on the fundamental case for instituting such a scheme. We should hear further about likely questions on Monday or Tuesday.

AS

13.11.87

CONFIDENTIAL

FROM: J de BERKER

DATE: 11 November 1987

1. MR GILHOOLY discussed ~ draft,
2. LORD PRIVY SEAL

cc Chancellor of the Exchequer
Chief Secretary
Payment General
Financial Secretary
Economic Secretary
Sir Peter Middleton
Mr F E R Butler
Miss Mueller
Mr Anson
Mr Kemp
Mr Luce
Mr Dixon
Mr Chivers
Mr Gilhooly
Mr Truman
Mr Cropper

Hidden Copy:

Mr N.Wicks No 10

EVIDENCE FOR THE TSRB : SEVERANCE PAYMENTS FOR COMMONS MINISTERS

I attach the evidence for the TSRB on severance payments. This has now been agreed by Treasury Ministers and also takes account of the Prime Minister's comments.

Jonathan de Berker

JONATHAN de BERKER

126/301A/05/ph

CONFIDENTIAL

Evidence for Top Salaries Review Body on Severance Payments to Ministers and office holders who are not members of The House of Lords

Introduction

The existing scheme for the House of Lords was set up in 1984 under the Parliamentary Pensions etc Act following TSRB Report No.20 in 1983. The scheme makes severance payments equal to three months' salary to Ministers, and certain other members of the Lords who cease to hold salaried office, following resignation or a change of Government. The payments are not taxable provided they are under £25,000. To be eligible the recipient must also be under the age of 65, have held a relevant office in the Lords for at least two years, and not be reappointed to another office in the Lords in less than three weeks.

2. The case for severance payments for members of the House of Lords rested on the fact that they have no Parliamentary salary to fall back on, and no equivalent to the system of resettlement grants for Members of Parliament who leave their seats at a General Election. (These were first introduced following a TSRB recommendation in 1971).

3. Members of the House of Commons who cease to hold a salaried office may also face an abrupt change in income. They will revert to a full Parliamentary salary - currently £18,500 pa - in place of the reduced salary of £13,875 pa paid to members who also hold Ministerial Office. But they will still face a substantial drop. At current pay rates a Parliamentary Under Secretary of State would lose £12,260 pa - about 40 per cent of his previous combined Ministerial and Parliamentary salary. A Minister of State would lose £18,250 pa - about 50 per cent, and a Secretary of State would lose £28,520 pa - about 60 per cent. The resettlement assistance

ailable to Members of Parliament who lose their seats or do not stand at a General Election currently represents six to twelve months' Parliamentary salary (depending on age and length of service), but there is no additional element where a Ministerial salary has also been lost.

4. Members of Parliament often hold paid outside appointments which they are required to relinquish when appointed as Ministers. It takes time to re-establish previous contacts on leaving office and there is thus a case for making severance payments to ease the abrupt transition.

A scheme for the House of Commons

(i) Eligibility

5. A simple way forward would be for the Commons to adopt the existing House of Lords severance pay scheme. But the TSRB may consider that modifications are appropriate.

6. The coverage of a Commons scheme would be analogous to that in the Lords (see Annex A for details of the offices whose holders might qualify). It is presumed that the Prime Minister and the Speaker would not qualify for severance pay under any new arrangements, since they already qualify for immediate pensions on leaving office (see Annex B).

7. If the scheme were extended to cover members of the Commons as well as the Lords the question also arises whether to include Ministers who are not members of either House. Such cases will be comparatively rare, but the current Solicitor General for Scotland is in this position. He does not receive a Parliamentary salary, and if he were to cease to hold office he would not get severance pay.

8. As it stands, in the Lords scheme an office holder must have held an appropriate office for two years before he or she can be eligible for a severance payment. The TSRB may wish to consider whether a qualifying period is appropriate. The Government's view

that, if the scheme is extended to Commons Ministers, there should on balance be no qualifying period, and that it should be abolished for Lords Ministers. Making Ministerial changes is already a difficult business without impediments, real or perceived, arising from questions about eligibility for severance pay. If it is decided that a qualifying period ought to be retained the Lords scheme will need to be modified (see Annex C).

9. There is also the question as to whether eligibility should be related to the reason for losing office. Apart from death in service (when severance is not paid) the Lords scheme makes no distinction. Some cases will inevitably be more deserving than others, but to exercise discretion would be bound to lead to invidious and controversial judgements. The Government would prefer to retain the current Lords practice - especially for loss of office during the term of a Government. But even after an Election the TSRB may consider it appropriate to follow the precedent of the Lords scheme.

10. At an election a Minister may lose office for a variety of reasons. He may choose not to stand, or fail to be re-elected. In either of these circumstances he would be eligible for a resettlement grant as an ex-member of Parliament, which is payable after General Elections to those under the age of 65. If a Ministers' severance scheme exists, it is hard to argue that an ex-Member should not also be compensated for loss of Ministerial office. If the Government is re-elected, but the Minister is not reappointed, the position is similar to losing office during the term of a Parliament. If all Ministers lose office because the Government has fallen it would be anomalous if Ministers in the Lords got severance payments but those in the Commons did not.

(ii) Amount Payable

11. The TSRB will also wish to consider the amounts to be paid under a scheme for the Commons. An ex-Minister loses his Ministerial salary, but this is partially offset by the increase in his Parliamentary salary if he stays on in the Commons (see paragraph 3 above). If the increase in Parliamentary salary is not taken into account the provision would be more generous for members of the

Commons than for members of the Lords. A justification might be based on the increase in their Parliamentary duties. But the Review Body will also wish to consider the case for both schemes making payments on a consistent basis, eg by basing the Commons scheme on three months full Ministerial (or other) salary minus any increase in Parliamentary salary payable on leaving office. As in the Lords, the payment would be related to the actual reduction in income. If a Minister ceased to sit in the Commons at the same time as leaving office there would be no case for abating his severance payment.

12. There is also the question as to whether severance payments should be abated to reflect pension entitlements (see Annex B). But with the possible exceptions of the Prime Minister, the Speaker, and the Lord Chancellor - who are special cases - there seems little cause to do so.

(iii) Costs

13. During the life of a Government the cost of a Commons severance scheme would be modest. The following table shows, for illustrative purposes, the severance payment to which individual holders of three major categories of office would be entitled (at current salary rates) if the scheme operated as suggested in paragraph 11:

Office	Severance Pay (£)
Secretary of State	7,130
Minister of State not in Cabinet	4,563
Parliamentary Secretary	3,065

The cost of severance payments to all Ministers on a change of Government (if payable) would of course be more substantial (about £½ million).

Conclusion

14. The TSRB is invited to consider and make recommendations:

i. on whether there should be a severance pay scheme for

members of the House of Commons ceasing to hold salaried office; and if so, which offices;

ii. if there is to be such a scheme, what the conditions for eligibility should be; whether there should be a two year qualifying period; and whether any distinction should be made between reasons for leaving (in particular following a General Election);

iii. what the amount of severance pay should be, bearing in mind the existing scheme for the Lords;

iv. on whether the scheme, if introduced, should include Ministers who are not members of either House;

v. if a severance scheme is to be introduced for the Commons, whether any amendments should be made to the scheme for the Lords, in particular to the qualifying periods.

CONFIDENTIAL

ANNEX A

Offices in the House of Lords whose holders qualify for payments from the Lords severance scheme and possible coverage in the House of Commons

The existing scheme for members of the House of Lords applies not only to Government Ministers and Whips who receive a salary under the Ministerial and Other Salaries Act 1975, but also to:

i. Opposition offices in respect of which a salary is payable under the Ministerial and Other Salaries Act 1975 - the Leader of the Opposition in the House of Lords and the Chief Opposition Whip in the House of Lords; and

ii. the office of Chairman of Committees of the House of Lords, and any office of Deputy Chairman of Committees in respect of which a salary is payable out of money provided by Parliament.

If severance pay were introduced for Ministers and Whips in the Commons, the question would arise whether it should extend to the other office holders, namely:

i. for Opposition offices, the four offices in respect of which a salary is payable under the 1975 Act - the Leader of the Opposition in the House of Commons, the Chief Opposition Whip and up to two Assistant Opposition Whips; and

ii. in respect of offices associated with the House itself, the Speaker (who receives a salary under the 1975 Act), and the Chairman of Ways and Means and the First and Second Deputy Chairmen of Ways and Means (who receive salaries out of money provided by Parliament).

126/301A/0
7/ph

CONFIDENTIAL

ANNEX B

Pensions and Eligibility for Severance Payments

A further point for consideration is whether the amount of severance pay should be affected by any pension entitlement. Under the Parliamentary and Other Pensions Act 1972, a Prime Minister, Speaker, or Lord Chancellor who ceases to hold office becomes entitled to an immediate pension, irrespective of age (evidence on these pensions has been submitted recently). This entitlement does not affect the Lord Chancellor's entitlement to severance pay under the existing House of Lords Scheme.

Under the 1972 Act there is also an option whereby holders of Ministerial office in the Commons may elect to make pension contributions from the part of their salary which exceeds the Parliamentary salary of a backbench MP. If they do so they earn a correspondingly increased pension entitlement. It is for consideration whether any such increased pension entitlement should be taken into account in determining the amount of severance pay. Two arguments suggest that it should not:

i. there would be little overlap between the severance and pension schemes: a condition of eligibility for severance pay would be that the member has not attained the age of 65, whereas full Parliamentary pension is payable only when the age of 65 has been attained. (There is an option to apply for a pension between the ages of 60 and 65, but in that case the amount of pension is actuarially reduced);

ii. increased pension entitlement is something a member has paid for by voluntarily electing to make increased pension contributions. It would seem invidious if those who chose to do this were penalised by receiving less severance pay.

ANNEX C

Qualifying periods: interaction of Lords' and Commons' Scheme

At present there is a condition in the Lords scheme that an individual must not have been a member of the House of Commons during the previous two years. Even if it was decided to retain a qualifying period for the Lords scheme and introduce one for a Commons scheme, this condition would need to be modified. Otherwise a situation could arise where an office holder in the Commons was appointed as an office holder in the Lords, but was not eligible for a severance payment, despite lengthy service in the Commons, because he ceased to hold office within two years of entering the Lords.

CONFIDENTIAL

File SRW

10 DOWNING STREET

From the Principal Private Secretary

11 November 1987

DRAFT EVIDENCE FOR THE TSRB:
SEVERANCE PAYMENTS FOR COMMONS MINISTERS

I showed the Prime Minister Jonathan de Berker's minute of 10 November which covered the draft of the Government evidence for the TSRB on severance payments for Commons Ministers.

The Prime Minister has commented in relation to paragraph 6 of the draft evidence, which deals with the coverage of a possible Commons scheme and the inclusion of Prime Ministers and Speakers within its ambit, that she does not think that severance pay should be payable to Prime Ministers because of their pension conditions.

You may wish to reflect this point by amending the last sentence of paragraph 6 so that it reads:

> "It is presumed that the Prime Minister and the Speaker would not qualify for severance pay under these arrangements since they qualify for immediate pensions on leaving office (see Annex B)."

I am sending a copy of this letter to Alison Smith (Lord Privy Seal's Office).

(N. L. WICKS)

Simon Judge, Esq.,
Paymaster General's Office
HM Treasury.

CONFIDENTIAL

SRW

126/301A/009

CONFIDENTIAL

9Mg. 10 NOV 1987 -17

FROM: J de BERKER

DATE: 10 November 1987

1. MR GILHOOLY
2. PAYMASTER GENERAL

I agree 10/11

cc Chancellor of the Exchequer
Chief Secretary
Financial Secretary
Economic Secretary
Lord Privy Seal
Sir Peter Middleton
Mr F E R Butler
Miss Mueller
Mr Anson
Mr Kemp
Mr Luce ~ Mr Wicks (No.10)
Mr Dixon
Mr Chivers
Mr Gilhooly
Mr Truman
Mr Cropper

Prime Minister
to see the evidence
for the TSRB on Severance
pay.
N.L.W
10.11

Agreed

DRAFT EVIDENCE FOR THE TSRB: SEVERANCE PAYMENTS FOR COMMONS MINISTERS

The evidence has been revised in the light of comments by Treasury Ministers. The general consensus has been that a scheme for the Commons should follow the precedent of the Lords but that there should not be a two year qualifying period in either scheme.

2. There has also been unease about how a Commons scheme should operate after an Election and in this context you asked to be reminded about the rules on resettlement grants for Members of Parliament.

3. Resettlement grants are paid on a sliding scale to MPs who do not stand, or fail to be re-elected, at General Elections. The grants are not payable for members leaving the Commons at other times. The minimum payment is 6 months salary, the maximum is a year's salary after 15 years service for MPs aged 55 but less than 65. MPs over the age of 65 are not eligible for resettlement grants.

4. The line taken in the evidence is that even after an Election the TSRB may consider it appropriate to follow the precedent of the Lords scheme ie to pay out for loss of office at any time, and for any reason, apart from death in service. Ministers who leave the Commons at an Election would be eligible for resetlement grants as ex-MPs, and it is hard to argue but they should not receive compensation as ex Ministers if a Ministerial severance scheme exists. If the Government is re-elected but the Minister is not reappointed, it is no different from losing office during the term of a Parliament. If all Ministers lose office because the Government has fallen it is anomalous if Ministers in the Lords get severance payments but those in the Commons do not.

5. If Ministers are content, we propose to forward the evidence to the Lord Privy Seal so that he may send it to the TSRB by the end of the week. He is due to give them oral evidence on 18 November.

J de BERKER

126/301A/05/ph

CONFIDENTIAL

Evidence for Top Salaries Review Board on Severance Payments to Ministers and office holders who are not members of The House of Lords

Introduction

The existing scheme for the House of Lords was set up in 1984 under the Parliamentary Pensions etc Act following TSRB Report No.20 in 1983. The scheme makes severance payments equal to three months salary to Ministers, and certain other members of the Lords who cease to hold salaried office, following resignation, or a change of Government. The payments are not taxable provided they are under £25,000. To be eligible the recipient must also be under the age of 65, have held a relevant office in the Lords for at least two years, and not be reappointed to another office in the Lords in less than three weeks.

2. The case for severance payments for members of the House of Lords rested on the fact that they have no parliamentary salary to fall back on, and no equivalent to the system of resettlement grants for Members of Parliament who leave their seats at a General Election. (These were first introduced following a TSRB recommendation in 1971).

3. Members of the House of Commons who cease to hold a salaried office may also face an abrupt change in income. They will revert to a full parliamentary salary, currently £18,500 pa, in place of the reduced salary of £13,875 pa paid to members who also hold Ministerial Office, but they will still face a substantial drop. A Parliamentary Under Secretary of State would lose £12,260 pa - about 40 per cent of his previous combined Ministerial parliamentary salary at current pay rates. A Minister of State would lose £18,250 pa - about 50 per cent, and a Secretary of State would lose £28,520 pa - about 60 per cent. The resettlement assistance available

to Members of Parliament who lose their seats or do not stand at a General Election currently represents six to twelve months' parliamentary salary (depending on age and length of service); but there is no additional element where a Ministerial salary has also been lost.

4. Members of Parliament often hold paid outside appointments which they are required to relinquish when appointed as Ministers. It takes time to re-establish previous contacts on leaving office and there is a case for making severance payments to ease the abrupt transition.

A scheme for the House of Commons

(i) Eligibility

5. A simple way forward would be for the Commons to adopt the existing House of Lords severance pay scheme. But the TSRB may consider that modifications are appropriate.

6. The coverage of a Commons scheme would be analogous to that in the Lords. (See Annex A for details of the offices whose holders might qualify). It is for consideration whether the Prime Minister and the Speaker should qualify for severance pay under these arrangements because they qualify for immediate pensions on leaving office. (See Annex B).

7. If the scheme were extended to cover members of the Commons as well as the House of Lords the question also arises whether to include Ministers who are not members of either House. Such cases will be comparatively rare, but the current Solicitor General for Scotland is in this position. If he were to cease to hold office he would not get severance pay and he does not receive a Parliamentary salary.

8. As it stands, in the Lords scheme an office holder must have held an appropriate office for two years before he or she can be eligible for a severance payment. The TSRB may wish to consider whether a qualifying period is appropriate. The Government's view

is that if the scheme is extended to the Commons, on balance, there should be no qualifying period, and that it should be abolished for the Lords. Making Ministerial changes is already a difficult business without impedients, real or perceived, arising from questions about eligibility for severance pay. If it is decided that a qualifying period ought to be retained the Lords scheme will need to be modified, (see Annex C).

9. There is also the question as to whether eligibility should be related to the reason for losing office. Apart from death in service, when severance is not paid, the Lords' scheme makes no distinction. Some cases will inevitably be more deserving than others, but to exercise discretion would be bound to lead to invidious and controversial jugements. The Government would prefer to retain the current Lords' practice - especially for loss of office during the term of a Government. But even after an Election the TSRB may consider it appropriate to follow the precedent of the Lords' scheme.

10. At an election a Minister may lose office for a variety of reasons. He may choose not to stand, or fail to be re-elected. In either of these circumstances he would be eligible for a resettlement grant as an ex-member of Parliament. This is payable after General Election to ex-members under the age of 65. If a Ministers' severance scheme exists, it is hard to argue he should not get paid for loss of Ministerial office. If the Government is re-elected, but the Minister is not reappointed, it is no different from losing office during the term of a Parliament. If all Ministers lose office because the Government itself has fallen it is anomalous if Ministers in the Lords get severance payments but those in the Commons do not.

(ii) Amount Payable

11. The TSRB will also wish to consider the amounts to be paid under a scheme for the Commons. An ex-Minister loses his Ministerial salary but this is partially offset by the increase in his Parliamentary salary if he stays on in the Commons (see Para 3 above). If the increase in Parliamentary salary is not taken into account the result would be a more generous provision for members of the

Commons than for members of the Lords. A justification might be based on the increase in their Parliamentary duties. But the Review Body will also wish to consider the case for both schemes making payments on a consistent basis, eg by basing the Commons scheme on three month's full Ministerial (or other) salary minus the increase in Parliamentary salary payable on leaving office. As in the Lords, the payment would be related to the actual reduction in income experienced. If a Minister ceased to sit in the Commons at the same time as leaving office there would be no case for abating his severance payment.

12. There is also the question as to whether severance payments should be abated to reflect pension entitlements. (See Annex B). But with the possible exceptions of the Prime Minister, the Speaker, and the Lord Chancellor who are special cases there seems little cause to do so.

(iii) Costs

13. During the life of a Government the cost of a Commons severance scheme would be modest. The following table shows, for illustrative purposes, the severance payment to which individual holders of three major categories of office would be entitled (at current salary rates) if the scheme operated as the Lords scheme does but abated for the increase in Parliamentary salary.

Office	Severance Pay (£)
Secretary of State	7,130
Minister of State not in Cabinet	4,563
Parliamentary Secretary	3,065

The costs would of course be more substantial (about £½ million) were the severance payments to be made on loss of office as a result of a general election.

Conclusion

14. The TSRB is invited to consider and make recommendations:

i. on whether there should be a severance pay scheme for members of the House of Commons ceasing to hold salaried office, if so, which offices;

ii. if there is to be such a scheme, what the conditions for eligibility should be. Should there be a two year qualifying period. Should any distinction be made between reasons for leaving, in particular for loss of office following a General Election;

iii. what the amount of severance pay should be bearing in mind the scheme for the Lords;

iv. on whether the scheme, if introduced, should include Ministers who are not members of either house;

v. if a severance scheme is to be introduced for the Commons are there any amendments which should be made to the scheme for the Lords.

CONFIDENTIAL

ANNEX A

Office in the House of Lords whose holders qualify for payments from the Lords' severance scheme and possible coverage in the House of Commons

The existing scheme for members of the House of Lords applies not only to Government Ministers and Whips who receive a salary under the Ministerial and Other Salaries Act 1975, but also to:

i. Opposition offices in respect of which a salary is payable under the Ministerial and Other Salaries Act 1975 - Leader of the Opposition in the House of Lords and Chief Opposition Whip in the House of Lords; and

ii. the office of Chairman of Committees of the House of Lords, and any office of Deputy Chairman of Committees in respect of which a salary is payable out of money provided by Parliament.

If severance pay were introduced for Ministers and Whips in the Commons, the question would arise whether it should extend to the other office holders, namely:

i. for Opposition offices, the four offices in respect of which a salary is payable under the 1975 Act - Leader of the Opposition in the House of Commons, Chief Opposition Whip and up to two Assistant Opposition Whips; and

ii. in respect of offices associated with the House itself, the Speaker (who receives a salary under the 1975 Act), plus the Chairman of Ways and Means and the First and Second Deputy Chairman of Ways and Means (who receive salaries out of money provided by Parliament).

126/301A/0
7/ph

CONFIDENTIAL

ANNEX B

Pensions and Eligibility for Severance Payments

A further point for consideration is whether the amount of severance pay should be affected by any pension entitlement. Under the Parliamentary and Other Pensions Act 1972, a Prime Minister, Speaker, or Lord Chancellor who ceases to hold office becomes entitled to an immediate pension, irrespective of age (evidence on these pensions has been submitted recently). This entitlement does not affect the Lord Chancellor's entitlement to severance pay under the existing House of Lords Scheme, and consistency suggests that in any Commons scheme pension entitlement should similarly not affect the entitlement to severance pay of a Prime Minister or Speaker who ceases to hold office. An alternative would be to provide that none of these three offices should carry eligibility for severance pay, on the grounds that the entitlement to an immediate pension irrespective of age avoids any hardship. This would, of course, place the Lord Chancellor in a worse position than at present.

Under the 1972 Act there is also an option whereby holders of Ministerial office in the Commons may elect to make pension contributions from the part of their salary which exceeds the Parliamentary salary of a backbench MP. If they do so they earn a correspondingly increased pension entitlement. It is for consideration whether any such increased pension entitlement should be taken into account in determining the amount of severance pay. Two arguments suggest that it should not:

i. there would be little overlap between the severance and pension schemes: a condition of eligibility for severance pay would be that the member has not attained the age of 65, whereas full Parliamentary pension is payable only when the age of 65 has been attained. (There is an option to apply for a pension between the ages of 60 and 65, but in that case the amount of pension is actuarially reduced);

ii. increased pension entitlement is something a member has paid for by voluntarily electing to make increased pension contributions. It would seem invidious if those who chose to do this were penalised by receiving less severance pay.

ANNEX C

Qualifying periods: interaction of Lords' and Commons' Scheme

At present there is a condition in the Lords scheme that an individual must not have been a member of the House of Commons during the previous two years. Even if it was decided to retain a qualifying period for the Lords' scheme and introduce one for the Commons' scheme, this condition would need to be modified. Otherwise a situation could arise where an office holder in the Commons was appointed as an office holder in the Lords, but was not eligible for a severance payment, despite lengthy service in the Commons, because he ceased to hold office within two years of entering the Lords.

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

5 November 1987

Dear Lord Plowden

My letter of 24 July invited the Top Salaries Review Body to undertake a review of the Parliamentary Pension Scheme (together with the question of resettlement grants for those Members who retire at a General Election), the pensions of the Prime Minister, Speaker and Lord Chancellor and Ministerial severance pay. Your letter of 6 October asked for written evidence by the end of October.

I apologise for the slight delay in submitting the evidence which I now enclose. It covers, in the order in which they appeared in my letter of 24 July, all the issues except severance pay which, as you acknowledge in your letter of 6 October, is, of course, a particularly sensitive issue. I did not think it right to hold up the main body of evidence for this point alone and I will accordingly be submitting our written evidence on it in a couple of days.

I look forward to seeing you on 18 November when I come to give oral evidence.

Yours sincerely

JOHN WAKEHAM

Lord Plowden KCB KBE
Chairman
Top Salaries Review Body

Introduction

The Lord Privy Seal's letter of 24 July invited the Top Salaries Review Body to undertake a review of the Parliamentary Pension Scheme (together with the question of resettlement grants for those Members who retire at a General Election); the pensions of the Prime Minister, Speaker and Lord Chancellor; and Ministerial severance pay. This remit reflected the feeling during the passage of the Parliamentary and other Pensions Act 1987 that the time had come for a further review following that of 1983. Concern had focused in particular on certain features of the scheme - itemised in the 24 July letter (see Annex A) - and the evidence below accordingly addresses itself to these issues. The Government believes, however, that the scheme in general continues to serve Members well, and that this is not the occasion for wide ranging changes.

Personal pensions

2. The Social Security Act 1986 enables members of an occupational pension scheme to choose an appropriate personal pension scheme rather than remain within their occupational scheme. As announced in August, personal pensions will be available from 1 July 1988. Members who do not believe that the Parliamentary scheme best suits their particular circumstances will not in future be obliged to contribute to it. Like other members of occupational pension schemes they will have the freedom to opt out. The existing scheme is a good one, but the Government welcomes this added measure of choice.

3. The arrangements introduced by the Act require a contribution from the employer (or, in the case of Members, the Exchequer) in the form of the higher standard rate National Insurance contributions to be paid in respect of those who opt out of a contracted - out scheme. Ministers have agreed that only the minimum employer's contribution required by the Act will be paid in respect of public service employees who choose personal pensions. It is, accordingly, not the Government's intention to contribute towards Members' personal pensions beyond the Statutory requirement

to pay standard rate employer's National Insurance contributions (about 4% of salary more than the contracted out rate now paid). This extra amount will be passed on by the DHSS into the personal pension. The decision to opt out of the Parliamentary scheme will be voluntary, and all Members will be eligible to join or remain in it. Those who opt out will be able to pay the 9% of salary they would otherwise contribute to the Parliamentary scheme into a personal pension instead if they wish, but will not be obliged to do so. Similarly nothing in the Social Security Act 1986 obliges an employer, or in this case the Exchequer, to pay contributions directly to a personal pension.

Resettlement grants

4. Resettlement grants - available to MPs who leave at a general election and under the age of 65 - are not formally part of the pension scheme. Like redundancy payments in the private sector, they are intended to help Members who leave Parliament before normal retirement age to adjust to their new situation. In 1983 the TSRB concluded that they did not consider that those who have attained the normal retirement age (65) should be able to qualify for both a retirement pension and a resettlement grant. It argued that the purpose of the latter is to provide temporary support for those who lose their seats before they have reached the normal threshold for retirement and need to re-establish themselves in alternative employment. This was endorsed by a Resolution of the House on 19 July 1983.

5. Members retiring after the age of 65 can, of course, obtain a lump sum by commuting part of their pension and for Members with more than 20 Years service this can be up to 18 months salary, tax free.

6. In these circumstances, it is inappropriate to pay a lump sum resettlement grant on top of this entitlement. The improvement in the accrual rate for benefits from the pension scheme since 1983, and the increase (introduced in 1984) in the maximum lump sum available on retirement have gone a long way towards helping those who leave the House after less than 40 years service.

Full unabated pension for those retiring at 55

7. The present rule allows Members with 20 years service to retire at a General Election at age 60 or after without abatement of their pension. The intention is to allow them to retire at the General Election before their 65th birthday, rather than waiting until the next election or causing a by-election. Although this rule can cause some hard cases, changing the scheme to permit those retiring at 55 or more with twenty years service to receive a full pension at 60 would create a whole new set of anomalies. Those who retired at 55 with 19½ years service, for example, would complain that the new rules were unfair to them. Furthermore, this would exaggerate the distinction between two classes of Member: those who can take their pension at 60, and those who have to wait until they are 65. One possible solution could be some form of tapering. Any such device would not eliminate the anomaly altogether but, if the TSRB desired, the Government would be willing to put the point to the Government Actuary's Department for its advice.

MEPs

8. In the House of Lords during the Committee stage of the Parliamentary Pensions Act 1984 the question was raised whether service as a MEP should count towards the 20 year qualifying period in the Parliamentary scheme. There is a separate pension scheme for United Kingdom Members of the European Assembly, which follows closely the provisions of the Parliamentary scheme. It is possible to transfer service from one scheme to the other for the calculation of normal pension benefits or, if the individual prefers, to draw two separate pensions relating to different periods of service in Strasbourg and in Westminster.

9. It would not be right to treat service in the European Assembly as equivalent to service in the House of Commons for the purpose of the early retirement provision. Service in Strasbourg and Westminster are not exactly equivalent. Counting service brought in from other employment towards the length of service qualification would destroy the main purpose, which is to help those who may

find it difficult to secure alternative employment when they are no longer young after a long career in the House of Commons. So long as there are two schemes they should be kept separate in this regard. No doubt there are other forms of employment, such as local government, which Members of the House of Commons may have participated in before their election of which the same could be said.

10. Keeping the schemes separate does carry its own advantages to Members. For example, a Member of Parliament who is receiving a pension from the European Assembly scheme does not at present have that pension reduced while he is a MP (and vice versa), although if he had been receiving a pension from the parliamentary scheme it would have been stopped when he re-entered Parliament.

Parliamentary Contributory Pension Fund

11. In the debate during the passage of the Parliamentary and Other Pensions Act 1987, some concern was expressed about the fixed nature and level of Members' contributions (currently 9 per cent, the level set by the House following a TSRB recommendation of 8 per cent). The Government Actuary's latest report on the pension fund, based on a valuation as at 1 April 1984, was laid before the House in November 1986. It showed that the Exchequer is still making contributions in addition to those necessary to pay for benefits arising from current service, in order to eliminate a deficiency - created mainly by earlier Acts which gave credit for service before 1964, for which no contributions were paid. There is therefore no question of the Fund being in surplus.

12. Although the accounts of the Fund published in March showed a surplus of income over expenditure in the year ended 31 March 1986 of approximately £5.7 million, they do not mean that the Fund is in surplus according to the normal use of the term in relation to pension funds. They represent a 'snapshot' of the current position, but for a true picture of the adequacy of the Fund it is necessary to look at the 1986 Government Actuary's Report, showing the Fund to be in deficit until 1997. The liabilities and assets of the Fund were valued as follows:-

Valuation Statement as at 1 April 1984

	£ million
Discounted value of:	
pensions in payment to former Members, and their dependants	14.9
benefits to former Members not yet on pension, and their dependants	6.8
benefits to contributing Members, and their dependants	50.9
benefits to current and former Ministers and office-holders not yet on pension, and their dependants, in respect of service to 31 March 1984	2.7
Total value of benefits	75.3
Reserve for future administrative expenses	2.8
Total liability	78.1
Value of assets	43.8
Balance to be met by future contributions	34.3
Value of future contributions from sitting Members: 6% in 1984 rising to 9% by 1987	10.1
Value of sitting Members' contributions for the purchase of added years	1.0
Balance of liability as at 1 April 1984	23.2

The balance of liability in the Fund falls to be met by future contributions by the Exchequer.

(From GAD Report, House of Commons Paper No.13).

13. The Government Actuary's report values the future income and liabilities of the Fund as well as its current assets and liabilities. The combined rate of contribution from Members and the Exchequer which (on the basis of the actuarial assumptions made and assuming payment throughout the service of a typical Member) would finance the benefits under the scheme is 22 per cent of salaries (the 'normal contribution rate'). Of this, 9 per cent is payable by Members and the balance of 13 per cent by the Exchequer. If experience followed the assumptions and there were no changes in the provisions of the scheme the Fund would be in balance and these contributions would be sufficient to meet the costs.

14. Contributions are invested to provide pensions for Members when they retire, in respect of current service. The payments currently being made from the Fund are to retired Members (and their dependants) in respect of service in the past. It is therefore not surprising that they do not match exactly: for

example, Members are currently contributing at a rate of 9 per cent of salary to finance pension benefits of one fiftieth of sal[illegible] per year of service, while most of the pensions in payment are still at the old rate of one sixtieth of salary per year of service.

15. But the valuation showed that the accumulated fund was not sufficient and that extra contributions were needed to cover the deficiency. One of the main reasons for this is that Members are entitled to pension in respect of up to 15 years service before 1964, when the scheme was set up, for which no contributions were paid at the time. Another factor is the opportunity given to Members in 1984 to purchase added years at a subsidised price. The deficiency is being met by extra Exchequer contributions over a period ending in 1997 and the Government Actuary's report recommended that the Exchequer should pay a rate of 6 per cent of Members' salaries. The recommended Exchequer contribution for 1987 and succeeding years is therefore a total of 19 per cent of salaries. The report underlined that improved investment yields, which led to surpluses in many private sector funds, had since the previous valuation (1981) reduced the amount of the deficiency, and that it was possible to reduce the Exchequer contribution from the previous rate of 20 per cent of salaries.

16. The Exchequer also makes a contribution in respect of the supplementary scheme for Ministers. Here the normal contribution is defined in a slightly different way as the cost of the benefits currently accruing. Coincidentally, however, the Exchequer share of the normal contribution is again 13 per cent of relevant salaries. Any deficiency in respect of past service is included with the deficiency for Members and is covered by the extra Exchequer contribution of 6 per cent of Members' salaries.

17. The Government Actuary's report shows, therefore, that the Fund is not in surplus when account is taken of its long-term assets and liabilities. The Government believes that any improvements in benefits would have to be paid for by increases in contributions but recognises that presentation of the scheme's true financial position could be made more accessible to Members.

Cap on pension increases for former PMs and other office holders

18. The Lord Privy Seal's letter of 24 July invited the TSRB to consider specifically the pensions payable to the Lord Chancellor, the Speaker and the Prime Minister. Pensions for these office holders are increased in line with movements in the RPI under the provision of the Pensions Increase Act 1971 - subject to the condition that the maximum pension payable cannot exceed prescribed proportions of the salaries of the current office holders (e.g. 15/40ths of the Prime Minister's salary). Thus, if inflation rises faster than, say, the Prime Minister's salary, retired Prime Ministers will not receive a fully index-linked pension. This cap on the pensions of former Prime Ministers is not related to the actual salary drawn by the current Prime Minister but to the full salary set out in Orders. No account is taken in calculating the pension of whether the Prime Minister draws a full salary. At present the cap affects all former Prime Ministers except Sir James Callaghan. (Annex B sets out the position).

19. The TSRB will want to consider whether the case for a cap is justified.

Inclusion of PM and Speaker in Parliamentary Pension Scheme

20. Of the statutory ex officio pensions paid in respect of the three highest offices, two have a very long tradition, the Lord Chancellor being entitled to a life pension since before 1830. The pension conferred on each retiring Speaker, never established by permanent legislation but granted personally by a special Act of Parliament, dates from 1832. The statutory pension for the Prime Minister is of much more recent vintage, originating only in 1937. The justification for these special arrangements has been the recognition of the high dignity of the three offices. (See Annex C).

21. Recognition of this distinction was underlined when, following the recommendations of the Boyle Committee's report, the pension arrangements were (a) legislatively consolidated in Part II of the Parliamentary and other Pensions Act 1972; and (b) kept

separate from the Parliamentary pensions scheme. On assuming office, therefore, the office holders cease to belong to the Parliamentary pension scheme which applies to MPs and Ministers. They lose the pension rights accrued to date and the contributions which they have paid are refunded with interest when they leave office. During their tenure of office, they pay no pension contributions.

22. The arrangements are well understood and have served the office holders well. There is no obvious case for their inclusion in the Parliamentary scheme. It is true that as a consequence the office holders, unlike other Ministers who are associated with the Parliamentary scheme, are not able to make additional voluntary contributions to purchase extra years of reckonable service. However, under the 1986 Social Security Act, they will be able to purchase free standing AVCs and they are, of course, quite entitled to make arrangements for personal pensions. There is thus no real sense in which arrangements can be said to discriminate against the office holders in respect of their augmenting their pensions.

Origin of pension ratios (15/40ths etc)

23. The Boyle Committee recommended in 1971 that the salaries and pensions of the Prime Minister, Lord Chancellor and Speakers should be as follows:

	SALARY	PENSION	RATIO OF PENSION TO SALARY
PRIME MINISTER	£20,000	£7,500	15/40
LORD CHANCELLOR	£20,000	£8,500	17/40
SPEAKER	£13,000	£6,500	20/40

24. They further recommended that it would be desirable to remove the need to reconsider the level of pensions payable to these office holders each time the salary levels were raised. They did not, however, actually recommend that the ratios of pension to salary implied in their report should be used in future, nor did they suggest any other fixed ratios which might be used. The

Government decided therefore to adopt the implied ratios shown above and made suitable provisions to fix them in Clause 29 of the Parliamentary and other Pensions Act 1972. There seemed to be no other course to take given the exceptional nature of the pension arrangements of these office holders.

From 1 January 1988 the level of pension and salary for these office holders will be as follows:

	SALARY	PENSION
PRIME MINISTER	£45,787	£17,170
LORD CHANCELLOR	£83,000	£35,275
SPEAKER	£35,887	£17,943

25. In 1972 the salaries of the Lord Chancellor and Prime Minister were identical although the Lord Chancellor's pension was 13 per cent higher, due to the difference in ratios. Over the years the Lord Chancellor's salary has increased at a faster rate than the Prime Minister's so that it is now considerably higher. The pension is, of course, higher still. The large increase in the Lord Chancellor's pension reflects the fact that his salary is determined by reference to the salaries of the Judiciary, of which he is the head. (The judicial pension scheme also has a very fast rate of accrual). With regard to the Speaker his salary and pension were lower than the Prime Minister's in 1972 but now, although his salary is still lower than the Prime Minister's, his pension is higher because of his higher pensionable ratio.

26. The present position inevitably reflects its historical origins. The question is whether it would be desirable to establish either a new set of ratios (to re-establish a broad equivalence to the 1972 arrangements) or even a common ratio for office holders. The TSRB will therefore want to consider in what way this situation could be better adapted to present circumstances.

ANNEX A

PRIVY COUNCIL OFFICE
WHITEHALL LONDON SW1A 2AT

24 July 1987

Dear Lord Plowden,

I am writing to invite the Top Salaries Review Body to undertake a review of the Parliamentary Pension Scheme (together with the question of resettlement grants for those Members who retire at a General Election), the pensions of the Prime Minister, Speaker and Lord Chancellor and Ministerial severance pay.

I realise that your Committee have relatively recently reviewed (in May 1983) the Parliamentary Scheme, but during the passage of the Parliamentary and Other Pensions Act 1987 there was a feeling that the time had come for a further review. In particular, concern has been expressed about certain apparent anomalies in the Scheme.

There are unfortunately some pressing time constraints. Regulations must be in place by 1 April 1988, changing the existing Scheme to incorporate the provisions of the Social Security Act 1986. This will enable Members to opt out of the Parliamentary Scheme in favour of a personal pension, if they so wish. Regulations will have to be laid in good time to meet this target. It would clearly be desirable to incorporate any agreed changes resulting from your review of those regulations, so that Members may take an informed decision. In these circumstances, I would hope that you would be able to report by the end of this year.

The Government would therefore be most grateful if the Review Body could undertake a review of the Parliamentary Scheme and in particular consider the following anomalies:

i A Member who is over 60 and has served as an MP for not less than 20 years qualifies for an unabated pension, part of which he or she may, like all MPs, commute into a tax free lump sum up to the Inland Revenue limits (1 1/2 of final salary). But resettlement grants are currently available only to MPs who leave at a General Election and under the age of 65. Should this arrangement for resettlement grants continue? Or (a) should those over 65 also be eligible for resettlement grant; or (b) should the resettlement grant be limited to those under 60?

ii Members who retire at age 60 with 20 years service get a full unabated pension, those who retire earlier with 20 years service must wait until they are 65 (although they may draw an immediate abated pension). Is there a case for those retiring at age 55 or more with 20 years service to receive a full pension at 60? If so, would this create further anomalies? In either case, could any anomalies be avoided by some form of tapering?

Perhaps the Review Body could also consider whether it is desirable to make any recommended changes retrospective, for those who retired at the last General Election.

In addition to these points the Government would be grateful if the Review Body would consider whether service as an MEP should count towards the 20 year qualifying period in the Parliamentary Scheme: this was raised in the House of Lords during the Committee stage of the Parliamentary Pension etc Act 1984.

In the debate during the passage of the Parliamentary and Other Pensions Act 1987 some concern was expressed about the fixed nature and level of Members' contributions (currently 9%). In framing your conclusions on the points above, you will wish to form a view on these questions.

The Government would also like to invite the Review Body to consider the pensions payable to the Lord Chancellor, the Speaker and the Prime Minister. The Prime Minister's pension is calculated at 15/40ths of the salary payable to the Prime Minister currently in office. There are similar calculations in the case of the Lord Chancellor's and the Speaker's pensions. The questions for consideration are whether this linkage remains appropriate; whether (if so) the linkage should be the current fraction or some higher figure; and whether it should apply to the whole salary, including in the case of the Prime Minister, both the Parliamentary and Ministerial elements. I hope that you will also examine whether a Speaker or Prime Minister might be permitted to contribute, in the way other Ministers and office holders can, to the Parliamentary Pension Scheme, and whether any such contribution can be made in respect of past service.

Finally, the Government would be grateful if you could consider whether Ministers and other office holders not in the House of Lords (whether in the House of Commons or not) should receive, on relinquishing Ministerial office, a severance payment on broadly the same terms as are paid to Ministers and other office holders in the House of Lords.

The Government continues to value and appreciate the informed and independent advice of the Review Body in this sensitive and difficult area.

JOHN WAKEHAM

Lord Plowden KCB KBE
Chairman
Top Salaries Review Body

ANNEX B

PENSION PAYABLE TO FORMER PRIME MINISTERS

Former Prime Ministers (and their widows) are paid pensions by the Treasury out of the Consolidated Fund, under Section 26 of the Parliamentary and Other Pensions Act 1972. Pensions increase under the 1971 Act on these pensions is payable subject to provisions of the Pensions Increase (Past Prime Ministers) Regulations (SI 1972/1654), and the Pensions Increase (Past Prime Ministers) (Amendment) Regulations 1979 (SI 1979 No 771):

a. the pension payable to a former office - holder may not exceed the pension which would become payable to the present holder of the office if he/she resigned today;

b. the pension payable to the widow/widower of a former office-holder may not exceed the pension which would become payable to the widow of the present holder of the office if he died today;

c. these pensions are deemed to begin for pensions increase purposes on the date when the pensionable salary payable to a person by virtue of the office in question was last increased.

In effect, these provisions provide that while a former Prime Minister may qualify for pensions increase from a date considerably before he or she left office, the pension may only amount to the same sum as that which the present Prime Minister would receive should they retire from office.

PENSIONS PAYABLE TO FORMER PRIME MINISTERS

(1) 1987 salary = £44,775[a] - maximum pension $\frac{15}{40}$ x 44,775 = £16,790.63

(2) From 1 Jan. 1988 = £45,787[b] - maximum pension $\frac{15}{40}$ x 45,787 = £17,170.13

PENSIONER	BASIC	OPERATIVE DATE OF PAY INCREASE BEFORE RETIREMENT	PENSION IF NO RESTRICTION	CURRENT PENSION PAID FROM APRIL 1987
LORD HOME	£2,000	1.3.37	£36,007.48	£16,790.63
LORD WILSON	£7,500	2.4.72	£35,310.20	£16,790.63
MR HEATH	£7,500	2.4.72	£35,310.20	£16,790.63
SIR J CALLAGHAN	£8,250	31.7.78	£17,073.16	£16,721.93

(a) Ministerial and other Salaries Order 1983

(b) Ministerial and other Salaries Order 1987

ANNEX C

PENSIONS OF THE PRIME MINISTER, SPEAKER AND LORD CHANCELLOR

Background

1. Statutory ex officio pensions are paid in respect of the three highest offices - Prime Minister, Speaker and Lord Chancellor. The last two have a very long tradition, the Lord Chancellor being entitled to a life pension before 1830 while the pension conferred on each retiring Speaker, never established by permanent legislation but granted to each retiring Speaker personally by a Special Act of Parliament, dates from 1832 when it became the custom to grant the Speaker a pension of £4,000. This was an arbitrary figure unrelated to the Speaker's salary or length of service and came to be regarded as a fixed precedent which was not improved upon until the figure of £5,000 was assumed in 1965 for the purpose of determining a pension for Sir Harry Hylton-Foster's widow and the same figure was provided in Mr Speaker King's Retirement Act 1971.

2. The statutory pension for the Prime Minister is of much more recent vintage, originating only in 1937 and then only at the level of £2,000. This was raised at £4,000 in 1965. The justification for these special arrangements was the recognition of the high dignity of the three offices. The pension is paid without any qualifying period - just one day's tenure of the office would suffice to earn the full pension.

Boyle Committee

3. The Top Salaries Review Body was asked in May 1971 to review the remuneration and pension arrangements relating to MPs and Ministers of the Crown. The Review Body, under the chairmanship of Lord Boyle, included within its review the statutory pensions paid to former holders of the offices of Prime Minister, Speaker and Lord Chancellor. The Committee recommended new values for the fixed rate pensions payable to the then incumbents and suggested that in future these statutory pensions should be related to the salary attaching to the office, so removing the need to reconsider their amount on each occasion that the salary was revised.

1972 Act

1. Legislative effect to the recommendations was given by the Parliamentary and other Pensions Act 1972. Part II of the Act amended by the Parliamentary and other Pensions and Salaries Act 1976, the Parliamentary Pensions Act 1978 and the Parliamentary Pensions etc Act 1984, governs their pensions. In addition the Lord Chancellor's Pension Act 1832 makes provision for the Lord Chancellor's pension. Following the 1987 Parliamentary Pensions Act, the pensions of these three office holders continue to be contained in primary legislation. The pensions are not payable out of the Parliamentary Contributory Pension Fund but out of the Consolidated Fund.

Prime Minister/Speaker

5. Under the Section 29 of the 1972 Act, the Prime Minister and the Speaker are entitled to a pension of a fixed proportion of final salary. (these were subsequently fixed at 15/40 and 20/40 respectively.) The Prime Minister was, therefore, before the recent salary increase entitled to a pension of £16,790.63 i.e. 15/40 of £44,775, the Prime Ministerial element of salary. No account is taken in calculating the pension of whether the Prime Minister draws a full salary. The pension is not based on the length of time the office is held. Subject to certain exceptions it is payable from the time the person ceased to hold office. On the death of a person who holds or has held the office of Prime Minister or Speaker, the provisions relating to widows' and dependants' pensions under Part I of the PPA 1972 are applied subject to modifications.

6. The pension is increased in line with movements in the RPI under the provisions of the Pensions Increase Act 1971, subject to the condition that in the case of the Prime Minister, for example, the maximum pension payable cannot exceed 15/40ths of the salary of the Prime Minister actually in office. Thus, if inflation rises faster than the Prime Minister's salary, retired Prime Ministers will not receive a fully index-linked pension — in other words, there is an implied cap.

Lord Chancellor

Under section 28 of the 1972 Act, the Lord Chancellor is granted an annuity to commence on his ceasing to hold office and payable for life, subject to certain exceptions. The amount of the pension (17/40 of final salary) does not depend upon the length of time he held office. He may also be granted a lump sum payable on death or resignation. There is a widows' and children's pension scheme which is contributory. The legislation is contained in Part II of the Judicial Pensions Act 1981 (c20).

7/2

CONFIDENTIAL

FROM: J DIXON
4 November 1987
Room 53B/G
Ext 4589

MR JUDGE

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Lord Privy Seal
Sir Robert Armstrong
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Miss Mueller
Mr Kemp
Mr Wicks (No 10)
Mr Luce
Mr Gilhooly
Mr de Berker
Mr Sheridan
Mr Cropper

DRAFT EVIDENCE FOR THE TSRB : PARLIAMENTARY PENSIONS

Thank you for your minute of 3rd November, about which we spoke.

2. On the two queries:

a. Yes, I am sure that a general announcement should be cleared with other Ministers.

b. We will need to make the announcement before the oral evidence of the Lord Privy Seal is taken at the TSRB on 18th November. I think we have a good chance of clearing with the Ministers concerned by 13th November.

3. In order to take this forward, I am attaching a draft letter for the Paymaster General to send round to his colleagues. A background note sets out how the policy on employers' contributions to personal pensions has developed.

J.D.

J DIXON

Personal Pensions

1. From July 1988 all employees will have a right to opt for a personal pension, instead of joining an employer's occupational scheme or the state scheme. Those who do that will have to make a minimum personal pension contribution, of about 2% of pay, plus about 4% from the employer. Such optants will no longer have to contribute to their occupational scheme, so they will be able to make a higher payment to a personal pension, or take an addition to taxable pay.

2. The present Ministerial objective is that the contributions to a personal pension should be restricted to the minimum, - an employer has no obligation to make any additional contribution to a personal pension. As a fall back, if an employer is forced to concede a further payment based on the employer's contribution to the occupational scheme, he should make it conditional on an additional contribution from the employee; it should not be used to add to pay. A paragraph to this effect was included in the Social Security White Paper.

3. A particular problem arises with civil servants, the armed forces, and the judiciary, which have unfunded and non-contributory schemes. Here there is no existing employee contribution (or only a minimal one) to be retained by personal pension optants (even to finance their minimum employee personal pension contribution). Scheme members might press for equal treatment with contributory schemes. The present line is to resist this on public expenditure grounds, and we understand that a similar approach is to be taken by the banks.

4. Other private sector pension schemes have been fairly low key about the level of employer contributions. So far, they seem to have concluded that a minimum contribution is all that will be offered to those leaving the scheme and taking personal pensons. They and the public sector schemes are watching each other, to see what they do.

5. The main intention behind personal pensions, as made clear by Ministers at the time of the 1986 Act, is to assist those not already covered by occupational schemes. Thus their impact upon occupational schemes may be fairly moderate, although we cannot be certain at this stage. Provisions to enhance ease of transfer and greater portability are expected to be more relevant to those already in occupational schemes.

6. Union reaction in the public service pension schemes is not expected to be difficult. The unions are generally in favour of occupational schemes and against personal pensions. As a result, they see no need for employers to be generous with contributions to those who take out personal pensions, because leavers will have the effect of increasing the contribution level for those who remain.

7. Some difficulties may arise in the case of relatively highly paid individuals, particularly those who are in short supply. Employers may be tempted to break ranks, and to pay a contribution that is higher than the minimum, but it is thought that this will not be a very widespread practice. Members of public Boards could be one possibility, although it is too early to say. Another category is Special Advisers, where there are now special arrangements. Action has already been taken to avoid their pay and pension arrangements causing embarrassment for the minimum contribution policy.

8. Although local government employers were thought in 1985 to be a potential difficulty, we now believe that they are not likely to go above the minimum. This is probably because, since then, pension surpluses have appeared, and employer contributions in some local authorities are already at or below 4%. The example of other employers in the public and private sectors will also be relevant to their decision.

8/2

DRAFT LETTER FROM PMG TO MINISTERIAL COLLEAGUES

The Rt Hon John Moore, MP
Secretary of State for Social Services

PERSONAL PENSIONS

In 1985 Ministers agreed that only the minimum employers' contribution required by the then forthcoming Social Security Bill would be paid, in respect of public service employees who choose personal pensions. A minute by the Chancellor, dated 27th November 1985, and a letter from Mr Norgrove of 4th December 1985, recorded this agreement. No announcement has subsequently been made, since no decision was needed until the final arrangements for personal pensions had been made.

The issue did not come up directly during the debate on the Parliamentary and other Pensions Act 1987, but Michael Stern raised the issue, and a copy of the reply, which was agreed with Norman Fowler, is attached. More recently following the reference in July to the TSRB of certain features of the Parliamentary scheme, the question arose again. When the TSRB met in September, there was discussion about whether, since the Parliamentary scheme is fully funded, only the minimum statutory contribution for personal pension optants should be paid, with the obvious implication that the government would have to give evidence on the point. The TSRB discussion has thus forced the issue, and our written evidence takes a robust line, spelling out for the first time publicly that only the minimum statutory contribution will be paid.

Our reason for this line is, of course, the additional PSBR

cost of employers' contributions to personal pensions where employees leave unfunded pension schemes, in which no employer's contribution would otherwise be paid before the employee leaves or retires. Since the Parliamentary scheme is fully funded, the same argument does not strictly apply. The Exchequer currently contributes 13 per cent of Members' salaries into the Pension Fund (excluding a deficiency contribution) and any amount less than this, paid instead to a personal pension, would be likely to save the Exchequer money. Nevertheless, we wish to avoid setting a precedent for the other public services. What evidence we have of private sector employers' intentions suggests that they too will resist paying additional contributions, and would welcome public service employers setting an example by paying no more than the minimum.

The Lord Privy Seal will be giving oral evidence to the TSRB on 18 November, and has suggested that an arranged PQ on the employers' minimum contribution should be put down in the near future. In view of the implications for all public sector pension schemes, any PQ needs to be broadly phrased. Because of your and colleagues' interests, I would accordingly welcome your agreement to the attached draft.

In view of the impending TSRB hearing, may I please have a reply by Friday 13th November? I apologise for the short notice.

I copy to Kenneth Baker, Douglas Hurd, George Younger, Nicholas Ridley, Malcolm Rifkind and John Wakeham.

P BROOKE

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

21 April 1987

Dear Michael.

PARLIAMENTARY AND OTHER PENSIONS BILL

Thank you for your letter of 6 April about the Bill.

You are right to point out the increased flexibility for improving benefits by additional voluntary contributions which the Government is introducing. As you say, from next April Members will be able to pay extra contributions to improve the level of cover for death in service under the scheme and I am sure this will be welcome.

You also ask about Exchequer contributions towards personal pensions. The arrangements introduced by the Social Security Act 1986 will of course require a contribution from the employer (or, in the case of Members, the Exchequer) in the form of the higher standard rate National Insurance contributions to be paid in respect of those who opt out of a contracted-out scheme. This extra amount will be passed on by the DHSS to the personal pension provider. There is, as you say, no obligation on the employer to make any further contribution, and I do not intend to offer any. Those who opt out of the Parliamentary scheme will do so voluntarily in the knowledge that they are giving up the benefits of the scheme; the option of continuing to participate in the scheme will still be open to all Members.

This is not inconsistent with the Government's general policy towards personal pensions: Norman Fowler has said on several occasions that the Government see personal pensions as an important new opportunity for certain groups of employees, particularly those who are not now members of occupational schemes. It is not the Government's intention to encourage members of good occupational schemes, particularly those with good arrangements for early leavers, to opt instead for personal pensions.

I am copying this letter to Norman Fowler and Peter Brooke.

Yours
John

JOHN BIFFEN

Michael Stern Esq MP
House of Commons

Q. When employees are given the right in July 1988 to take personal pension, what will be the public service employer's contribution for those employees who choose personal pensions?

A. My right honourable Friend has said on a number of occasions that personal pensions are not seen as a replacement for good occupational schemes. However the employers of those who choose to move out of an occupational scheme and to take a personal pension need to make clear what their contribution will be. So far as public service employers are concerned, the government has decided that the minimum employers' contribution required by the Social Security Act 1986 will be paid. The statutory requirement is to pay the equivalent of the contracted out rebate to the State scheme, which can then be passed on by the DHSS into the personal pension. The same approach is to be followed in the case of the Parliamentary pension scheme.

CONFIDENTIAL

cc BG

FROM: S P JUDGE
DATE: 4 November 1987

MR DIXON (*)

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Lord Privy Seal (*)
Sir Robert Armstrong
Sir Peter Middleton
Mr F E R Butler
Miss Mueller
Mr Anson
Mr Kemp
Mr Wicks (No 10)
Mr Luce
Mr Gilhooly
Mr de Berker (*)
Mr Sheridan (*)
Mr Cropper
(* with attachment)

DRAFT EVIDENCE FOR THE TSRB: PARLIAMENTARY PENSIONS

Further to my minute of 3 November, the Paymaster General has now approved the evidence. I attach (marked copies only) the final version, with a number of drafting changes and typographical corrections. I think that "Parliamentary pension scheme" and "Member" now appear throughout in that format.

On the table attached to Annex B, please note that Mr Callaghan is now Sir James; I could not reconcile the statement that he is not affected by the cap with the difference between the figures against his name in the third and fourth columns.

The Paymaster would like to answer a PQ indicating the Government's policy on public sector employers' contributions to personal pensions, before oral evidence is given to the TSRB. You kindly agreed to provide a draft for clearance with other Ministers.

S P JUDGE
Private Secretary

CONFIDENTIAL

FROM: CATHY RYDING
DATE: 4 November 1987

PS/Paymaster General

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Lord Privy Seal
Sir Robert Armstrong
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Miss Mueller
Mr Kemp
Mr Wicks (No.10)
Mr Luce
Mr Dixon
Mr Gilhooly
Mr de Berker
Mr Sheridan
Mr Cropper

DRAFT EVIDENCE FOR THE TSRB: PARLIAMENTARY PENSIONS

The Chancellor has seen Mr Dixon's minute to the Paymaster General of 2 November and your minute to Mr Dixon of 3 November and is content.

CATHY RYDING

010

CONFIDENTIAL

FROM: S P JUDGE
DATE: 3 November 1987

MR DIXON

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Lord Privy Seal
Sir Robert Armstrong
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Miss Mueller
Mr Kemp
Mr Wicks (No 10)
Mr Luce
Mr Gilhooly
Mr de Berker
Mr Sheridan
Mr Cropper

DRAFT EVIDENCE FOR THE TSRB: PARLIAMENTARY PENSIONS

The Paymaster General has seen your submission of 2 November.

He had a number of detailed drafting comments, which I have already passed to Mr Sheridan by telephone. He will look at the re-typed version after lunch, with the annexes.

So far as announcing the Government's policy on minimum contributions is concerned, the Paymaster thinks that because Ms Botting has raised the profile of this there is a case for an early general announcement covering all public sector schemes. He accepts that it will not be possible to arrange this this week. I would be grateful for your urgent advice (by 1400 today please) on:

a. whether a general announcement has to be cleared with other Ministers; and

b. how long this would realistically take.

S P JUDGE
Private Secretary

21/1

CONFIDENTIAL

MFA
to see; NBPM.

NLW.
3.11

FROM: J DIXON
2 November 1987
Room 53B/G
Ext 4589

PAYMASTER GENERAL

cc Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Lord Privy Seal
Sir Robert Armstrong
Sir Peter Middleton
Mr F E R Butler
Mr Kemp
Miss Mueller
Mr Anson
Mr Wicks (No 10)
Mr Luce
Mr Gilhooly
Mr de Berker
Mr Sheridan
Mr Cropper

DRAFT EVIDENCE FOR THE TSRB : PARLIAMENTARY PENSIONS

I attach draft written evidence to the TSRB on parliamentary pensions. It has so far received only limited Treasury circulation but it was discussed at the Lord Privy Seal's meeting on 29 October, when he endorsed the lines of evidence set out here. The order of the evidence follows the sequence in the Lord Privy Seal's letter of 24 July to Lord Plowden. On this basis, severance pay would come at the end.

2. The detailed points on the Parliamentary Scheme itself follow the Tresury line during the passage of the 1987 Parliamentary Pensions Act. (We will need more defensive material for the oral evidence).

3. Two issues are likely to attract attention - personal pensions and the PM's pension. When the TSRB met on 17 September, Louise Botting, a new member, gave a forceful lead that personal pensions

should be an important theme of the review. In particular, there was discussion about whether, since the Parliamentary scheme is fully funded, only the minimum statutory contribution for personal pension optants should be paid. At the time of the publication of the White Paper which preceded the 1986 Social Security Act, in late 1985, Ministers agreed that only the minimum employer's contribution required by the Act would be paid in respect of public service employees who choose personal pensions. The Minister of State, and the Chancellor, endorsed this line but no decisions have yet been formally announced. The TSRB discussion put us on the spot and a submission to you of 28 September (which you endorsed) suggested we take a robust line spelling out that only the minimum would be paid. Accordingly, our evidence is explicit on this point. The Lord Privy Seal has suggested that an arranged PQ on the employers' minimum contribution should be put down in the near future.

4. On the PM's pension, we have shown our draft evidence to No 10 who believe that a broadly neutral stance is appropriate at this stage. We have agreed a form of words with them, reflected in the attached evidence.

5. The Lord Privy Seal wishes to have agreed evidence by close on Thursday to meet the TSRB's deadline. I would be grateful for confirmation that you are content.

J. D.

J DIXON

Introduction

The Lord Privy Seal's letter of 24 July invited the Top Salaries Review Body to undertake a review of the Parliamentary Pension Scheme (together with the question of resettlement grants for those Members who retire at a General Election), the pensions of the Prime Minister, Speaker and Lord Chancellor and Ministerial severance pay. This remit reflected the feeling during the passage of the Parliamentary and other Pensions Act 1987 that the time had come for a further review following that of 1983. Concern had focussed in particular on certain features of the scheme - itemised in the 24 July letter (see Annex A), - and the evidence below accordingly addresses itself to these issues. The government believes, however, that the scheme in general continues to serve Members well, and that this is not the occasion for wide ranging changes.

Personal pensions

2. The Social Security Act 1986 enables members of an occupational pension scheme to choose an appropriate personal pension scheme rather than remain within their occupational scheme. As announced in August, personal pensions will be available from 1 July 1988. Members who do not believe that the Parliamentary scheme best suits their particular circumstances will not in future be obliged to contribute to it. Like other members of occupational pension schemes they will have the freedom to opt out. The existing scheme is a good one, but the Government welcomes this added measure of choice.

3. Ministers have agreed that only the minimum employers' contribution required by the Act would be paid in respect of public service employees who choose personal pensions. It is, accordingly, not the Government's intention to contribute towards Members' personal pensions beyond the Statutory requirement to pay standard rate employer's National Insurance contributions (about 4% of salary more than the contracted out rate now paid), part of which can be passed on by the DHSS into the personal pension. The decision to opt out of the Parliamentary scheme will be voluntary, and all Members will be eligible to join or remain in it. Those

who opt out will be able to pay the 9% of salary they would otherwise contribute to the Parliamentary scheme into a personal pension instead if they wish, but will not be obliged to do so. Similarly nothing in the Social Security Act 1986 obliges an employer, or in this case the Exchequer, to pay contributions directly to a personal pension.

Resettlement grants

4. Resettlement grants - available to MPs who leave at a general election and under the age of 65 - are not formally part of the pension scheme. Like redundancy payments in the private sector, they are intended to help Members who leave Parliament before normal retirement age to adjust to their new situation. In 1983 the TSRB concluded that they did not consider that those who have attained the normal retirement age (65) should be able to qualify for both a retirement pension and a resettlement grant. It argued that the purpose of the latter is to provide temporary support for those who lose their seats before they have reached the normal threshold for retirement and need to re-establish themselves in alternative employment. This was endorsed by a Resolution of the House on 19 July 1983.

5. Members retiring after the age of 65 can, of course, obtain a lump sum by commuting part of their pension and for Members with more than 20 Years' service this can be up to 18 months' salary, tax free.

6. In these circumstances, it is inappropriate to pay a lump sum resettlement grant on top of this entitlement. The improvement in the accrual rate for benefits from the pension scheme since 1983, and the increase in the maximum lump sum available on retirement introduced in 1984, have gone a long way towards helping those who leave the House after less than 40 years' service.

Full unabated pension for those retiring at 55

7. The present rule allows Members with 20 years service to retire at a General Election at age 60 or after without abatement of their pension. The intention is to allow them to retire at the General Election before their 65th birthday, rather than waiting

until the next election or causing a by-election. Although this rule can cause some hard cases, changing the scheme to permit those retiring at 55 or more with twenty years service to receive a full pension at 60 would create a whole new set of anomalies. Those who retired at 55 with 19½ years service, for example, would complain that the new rules were unfair to them. Furthermore, this would exaggerate the distinction between two classes of Member: those who can take their pension at 60, and those who have to wait until they are 65. It may be suggested that the problem could be eased by some form of tapering. Evidence on the actuarial issues here would need to be sought from the Government Actuaries Department and any such device would not eliminate the anomaly altogether.

MEPs

8. In the House of Lords during the Committee stage of the Parliamentary Pensions Act 1984 the question was raised whether service as an MEP should count towards the 20 year qualifying period in the Parliamentary Scheme. There is a separate pension scheme for United Kingdom Members of the European Assembly, which follows closely the provisions of the parliamentary scheme. It is possible to transfer service from one scheme to the other for the calculation of normal pension benefits or, if the individual prefers, to draw two separate pensions relating to different periods of service in Strasbourg and in Westminster.

9. It would not be right to treat service in the European Assembly as equivalent to service in the House of Commons for the purpose of the early retirement provision. Service in Strasbourg and Westminster are not exactly equivalent. Counting service brought in from other employment towards the length of service qualification would destroy the main purpose, which is to help those who may find it difficult to secure alternative employment when they are no longer young after a long career in the House of Commons. So long as there are two schemes they should be kept separate in this regard. No doubt there are other forms of employment, such as local government, which Members of the House of Commons may have participated in before their election of which the same could be said.

10. Keeping the schemes separate does carry its own advantages to Members. For example, a Member of Parliament who is receiving a pension from the European Assembly scheme does not at present have that pension reduced while he is an MP or vice versa, although if he had been receiving a pension from the parliamentary scheme it would have been stopped when he re-entered Parliament.

Parliamentary Contributory Pension Fund

11. In the debate during the passage of the Parliamentary and Other Pensions Act 1987, some concern was expressed about the fixed nature and level of Members' contributions (currently 9%, the level set by the House following a TSRB recommendation for 8%). The Government Actuary's latest report on the pension fund, based on a valuation as at 1 April 1984, was laid before the House in November 1986. It showed that the Exchequer is still making contributions in addition to those necessary to pay for benefits arising from current service, in order to eliminate a deficiency created mainly by earlier Acts which gave credit for service before 1964 for which no contributions were paid. There is therefore no question of the Fund being in surplus. Although the accounts of the Fund, published in March showed a surplus of income over expenditure in the year ended 31 March 1986 of approximately £5.7 million, they do not mean that the Fund is in surplus according to the normal use of the term in relation to pension funds. They represent a 'snapshot' of the current position, but for a true picture of the adequacy of the Fund it is necessary to look at the 1986 Government Actuary, showing the Fund to be in deficit until 1997. The liabilities and assets of the Fund were valued as follows

	£ million
Discounted value of:	
pensions in payment to former Members, and their dependants	14.9
benefits to former Members not yet on pension, and their dependants	6.8
benefits to contributing Members, and their dependants	50.9
benefits to current and former Ministers and office-holders not yet on pension, and their dependants, in respect of service to 31 March 1984	2.7
Total value of benefits	75.3
Reserve for future administrative expenses	2.8
Total liability	78.1
Value of assets	43.8
Balance to be met by future contributions	34.3
Value of future contributions from sitting Members:	
6% in 1984 rising to 9% by 1987	10.1
Value of sitting Members' contributions for the purchase of added years	1.0
Balance of liability as at 1 April 1984	23.2

The balance of liability in the Fund falls to met by future contributions by the Exchequer.
(From GAD Report, House of Commons Paper No.13).

12. The Government Actuary's report values the future income and liabilities of the Fund as well as its current assets and liabilities. The combined rate of contribution from Members and from the Exchequer which, on the basis of the actuarial assumptions made and assuming payment throughout the service of a typical Member, would finance the benefits under the scheme is 22 per cent of salaries (the 'normal contribution rate'). Of this, 9 per cent is payable by members and the balance of 13 per cent by the Exchequer. If experience followed the assumptions and there were no changes in the provisions of the scheme the Fund would be in balance and these contributions would be sufficient to meet the costs.

13. Contributions are invested to provide pensions for Members when they retire, in respect of current service. The payments currently being made from the Fund are to retired Members (and their dependants) in respect of service in the past. It is therefore not surprising that they do not match exactly: for example, Members are currently contributing at a rate of 9 per cent of salary to finance pension benefits of one fiftieth of salary per year of service, while most of the pensions in payment are still at the old rate of one sixtieth of salary per year of service.

14. But the valuation showed that, the accumulated fund was not sufficient and extra contributions were needed to cover the deficiency. One of the main reasons for this is that Members are entitled to pension in respect of up to 15 years' service before 1964, when the scheme was set up, for which no contributions were paid at the time. Another factor is the opportunity given to Members in 1984 to purchase added years at a subsidised price. The deficiency is being met by extra Exchequer contributions over a period ending in 1997 and the Government Actuary's report recommends that the Exchequer should pay a rate of 6 per cent of Members' salaries for this extra contribution. The recommended Exchequer contribution for 1987 and succeeding years is therefore a total of 19 per cent of salaries. Improved investment yields, which have led to surpluses in many private sector funds, have since the previous valuation reduced the amount of the deficiency, and it has been possible to reduce the Exchequer contribution from the previous rate of 20 per cent of salaries.

15. The Exchequer also makes a contribution in respect of the supplementary scheme for Ministers. Here the normal contribution is defined in a slightly different way as the cost of the benefits currently accruing. Coincidentally, however, the Exchequer share of the normal contribution is again 13 per cent of relevant salaries. Any deficiency in respect of past service is included with the deficiency for Members and is covered by the extra Exchequer contribution of 6% of Members' salaries.

16. The Government Actuary's report shows, therefore, that the Fund is not in surplus when account is taken of its long-term assets and liabilities. Any improvements in benefits would have to be paid for increases in contributions.

Cap on pensions increases for former PMs and other office holders

17. The Lord Privy Seal's letter of 24 July invited the TSRB to consider specifically the pensions payable to the Lord Chancellor, the Speaker and the Prime Minister. Pensions for these office holders former Prime Ministers are increased in line with movements in the RPI under the provision of the Pensions Increase Act 1971, subject to the condition that the maximum pension payable cannot exceed prescribed ratio of the salary of the current office holders (e.g. 15/40ths of the Prime Minister's salary). Thus if inflation rises faster than, say, the Prime Minister's salary, retired Prime Ministers will not receive a full index-linked pension. This cap on the pensions of former Prime Ministers is not related to the actual salary drawn by the current Prime Minister but to the full salary set out in Orders because no account is taken in calculating the pension of whether the P.M. draws a full salary. At present the cap affects all former Prime Ministers except James Callaghan. (Annex B sets out the position).

18. The TSRB will want to consider if the case for a cap is justified.

Inclusion of PM and Speaker in Parliamentary Pension Scheme

19. Of the Statutory ex officio pensions paid in respect of the three highest offices, two have a very long tradition, the Lord Chancellor being entitled to a life pension before 1830 while

The pension conferred on each retiring Speaker, never established by permanent legislation but granted to each retiring Speaker personally by a Special Act of Parliament, dates from 1832 when it became the custom to grant the Speaker a pension. The statutory pension for the Prime Minister is of much more recent vintage, originating only in 1937. The justification for these special arrangements has been the recognition of the high dignity of the three offices. (see Annex C).

20. Recognition of this distinction was underlined when, following the recommendations of the Boyle Committee Report, the pension arrangements were consolidated legislatively in Part II of the Parliamentary and other Pensions Act 1972 and kept seperate from the Parliamentary Pensions Scheme. On assuming office, therefore, the office holders cease to belong to the parliamentary pension scheme which applies to MPs and Ministers. They lose the pension rights accrued to date and the contributions which they have paid are refunded with interest when they leave office. During their tenure of office, they pay no pension contributions.

21. The arrangements are well understood and have served the office holders well. There is no obvious case for their inclusion in the Parliamentary Scheme. It is true that as a consequence the office holders, unlike other Ministers who are associated with the Parliamentary Scheme, are not able to make additional voluntary contributions to purchase extra years of reckonable service. However, under the 1986 Social Security Act, they will be able to purchase free standing AVCs and they are, of course, quite entitled to make arrangements for personal pensions. There is thus no real sense in which arrangements can be said to discriminate against the office holders in respect of their augmenting their pensions.

Origin of pension ratios (15/40ths etc)

22. The Boyle Committee recommended in 1971 that the salaries and pensions of the Prime Minister, Lord Chancellor and Speakers should be as follows:

	SALARY	PENSION	RATIO OF PENSION TO SALARY
PRIME MINISTER	£20,000	£7,500	15/40
LORD CHANCELLOR	£20,000	£8,500	17/40
SPEAKER	£13,000	£6,500	20/40

23. They further recommended that it would be desirable to remove the need to reconsider the level of pensions payable to these office holders each time the salary levels were raised. They did not, however, actually recommend that the implied ratio of pension to salary recommended in their report should be used in future nor did they suggest any other fixed ratio which might be used. The Government decided therefore to adopt the implied ratios shown above and made suitable provisions for the preservation of a fixed ratio between salary and pension in Clause 29 of the Parliamentary and other Pensions Act 1972. There seemed to be no other course to take given the exceptional nature of these pension arrangements of these office holders.

From 1 January 1988 the level of pension and salary for these office holders will be as follows:

	SALARY	PENSION
PRIME MINISTER	45,787	17,170
LORD CHANCELLOR	83,000	35,275
SPEAKER	35,887	17,943

24. In 1972 the salaries of the Lord Chancellor and P.M. were identical although the Lord Chancellor's pension was 13 per cent higher because of the different pension ratios applied to salary. Over the years the Lord Chancellor's salary has increased at a faster rate than the Prime Minister's so that it is now considerably higher and the pension, of course, higher still. The large increase in the Lord Chancellor's pension reflects the fact that his salary is determined by reference to the salaries of the Judiciary, of

which he is the head. (The judicial pension scheme also has a very fast rate of accrual). With regard to the Speaker his salary and pension were lower than the Prime Minister's in 1972 but now although his salary is lower than the Prime Minister's his pension is higher because of the differential pensionable ratio.

25. The present position inevitably reflects its historical origins and the question is whether it would be desirable to establish either a new set of ratios (to re-establish the broad equivalence of 1972) or even a common ratio for office holders. The TSRB will therefore want to consider in what way the present situation could be improved.

ANNEX A

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

24 July 1987

Dear Lord Plowden,

I am writing to invite the Top Salaries Review Body to undertake a review of the Parliamentary Pension Scheme (together with the question of resettlement grants for those Members who retire at a General Election), the pensions of the Prime Minister, Speaker and Lord Chancellor and Ministerial severance pay.

I realise that your Committee have relatively recently reviewed (in May 1983) the Parliamentary Scheme, but during the passage of the Parliamentary and Other Pensions Act 1987 there was a feeling that the time had come for a further review. In particular, concern has been expressed about certain apparent anomalies in the Scheme.

There are unfortunately some pressing time constraints. Regulations must be in place by 1 April 1988, changing the existing Scheme to incorporate the provisions of the Social Security Act 1986. This will enable Members to opt out of the Parliamentary Scheme in favour of a personal pension, if they so wish. Regulations will have to be laid in good time to meet this target. It would clearly be desirable to incorporate any agreed changes resulting from your review of those regulations, so that Members may take an informed decision. In these circumstances, I would hope that you would be able to report by the end of this year.

The Government would therefore be most grateful if the Review Body could undertake a review of the Parliamentary Scheme and in particular consider the following anomalies:

i A Member who is over 60 and has served as an MP for not less than 20 years qualifies for an unabated pension, part of which he or she may, like all MPs, commute into a tax free lump sum up to the Inland Revenue limits (1 1/2 of final salary). But resettlement grants are currently available only to MPs who leave at a General Election and under the age of 65. Should this arrangement for resettlement grants continue? Or (a) should those over 65 also be eligible for resettlement grant; or (b) should the resettlement grant be limited to those under 60?

ii Members who retire at age 60 with 20 years service get a full unabated pension, those who retire earlier with 20 years service must wait until they are 65 (although they may draw an immediate abated pension). Is there a case for those retiring at age 55 or more with 20 years service to receive a full pension at 60? If so, would this create further anomalies? In either case, could any anomalies be avoided by some form of tapering?

Perhaps the Review Body could also consider whether it is desirable to make any recommended changes retrospective, for those who retired at the last General Election.

In addition to these points the Government would be grateful if the Review Body would consider whether service as an MEP should count towards the 20 year qualifying period in the Parliamentary Scheme: this was raised in the House of Lords during the Committee stage of the Parliamentary Pension etc Act 1984.

In the debate during the passage of the Parliamentary and Other Pensions Act 1987 some concern was expressed about the fixed nature and level of Members' contributions (currently 9%). In framing your conclusions on the points above, you will wish to form a view on these questions.

The Government would also like to invite the Review Body to consider the pensions payable to the Lord Chancellor, the Speaker and the Prime Minister. The Prime Minister's pension is calculated at 15/40ths of the salary payable to the Prime Minister currently in office. There are similar calculations in the case of the Lord Chancellor's and the Speaker's pensions. The questions for consideration are whether this linkage remains appropriate; whether (if so) the linkage should be the current fraction or some higher figure; and whether it should apply to the whole salary, including in the case of the Prime Minister, both the Parliamentary and Ministerial elements. I hope that you will also examine whether a Speaker or Prime Minister might be permitted to contribute, in the way other Ministers and office holders can, to the Parliamentary Pension Scheme, and whether any such contribution can be made in respect of past service.

Finally, the Government would be grateful if you could consider whether Ministers and other office holders not in the House of Lords (whether in the House of Commons or not) should receive, on relinquishing Ministerial office, a severance payment on broadly the same terms as are paid to Ministers and other office holders in the House of Lords.

The Government continues to value and appreciate the informed and independent advice of the Review Body in this sensitive and difficult area.

JOHN WAKEHAM

Lord Plowden KCB KBE
Chairman
Top Salaries Review Body

1755/005

ANNEX B

PENSION PAYABLE TO FORMER PRIME MINISTERS

Former Prime Ministers (and their widows) are paid pensions by the Treasury out of the Consolidated Fund, under Section 26 of the Parliamentary and Other Pensions Act 1972. Pensions increase under the 1971 Act on these pensions is payable subject to provisions of the Pensions Increase (Past Prime Ministers) Regulations (SI 1972/1654), and the Pensions Increase (Past Prime Ministers) (Amendment) Regulations 1979 (SI 1979 No 771):

a. the pension payable to a former office - holder may not exceed the pension which would become payable to the present holder of the office if he/she resigned today;

b. the pension payable to the widow/widower of a former office-holder may not exceed the pension which would become payable to the widow of the present holder of the office if he died today;

c. these pensions are deemed to begin for pensions increase purposes on the date when the pensionable salary payable to a person by virtue of the office in question was last increased.

In effect, these provisions provide that while a former Prime Minister may qualify for pensions increase from a date considerably before he or she left office, the pension may only amount to the same sum as that which the present Prime Minister would receive should they retire from office.

1755/007

PENSIONS PAYABLE TO FORMER PRIME MINISTERS

(1) 1987 salary = £44,775(a) - maximum pension $\frac{15}{40}$ x 44,775 = £16,790.63

(2) From 1 Jan. 1988 = £45,787(b) - maximum pension $\frac{15}{40}$ x 45,787 = £17,170.13

	PENSIONER	BASIC	OPERATIVE DATE OF PAY INCREASE BEFORE RETIREMENT	PENSION IF NO RESTRICTION	CURRENT PENSION PAID FROM 6 APRIL 1987
LORD	HOME	£2,000	1.3.37	£36,007.48	£16,790.63
LORD	WILSON	£7,500	2.4.72	£35,310.20	£16,790.63
MR.	HEATH	£7,500	2.4.72	£35,310.20	£16,790.63
MR.	CALLAGHAN	£8,250	31.7.78	£17,073.16	£16,721.93

(a) Ministerial and other Salaries Order 1983

(b) Ministerial and other Salaries Order 1987

PENSIONS OF THE PRIME MINISTER, SPEAKER AND LORD CHANCELLOR ANNEX C

Background

1. Statutory ex officio pensions are paid in respect of the three highest offices - Prime Minister, Speaker and Lord Chancellor. The last two have a very long tradition, the Lord Chancellor being entitled to a life pension before 1830 while the pension conferred on each retiring Speaker, never established by permanent legislation but granted to each retiring Speaker personally by a Special Act of Parliament, dates from 1832 when it became the custom to grant the Speaker a pension of £4,000. This was an arbitrary figure unrelated to the Speaker's salary or length of service and came to be regarded as a fixed precedent which was not improved upon until the figure of £5,000 was assumed in 1965 for the purpose of determining a pension for Sir Harry Hylton-Foster's widow and the same figure was provided in Mr Speaker King's Retirement Act 1971.

2. The statutory pension for the Prime Minister is of much more recent vintage, originating only in 1937 and then only at the level of £2,000. This was raised at £4,000 in 1965. The justification for these special arrangements was the recognition of the high dignity of the three offices. The pension is paid without any qualifying period - just one day's tenure of the office would suffice to earn the full pension.

Boyle Committee

3. The Top Salaries Review Body was asked in May 1971 to review the remuneration and pension arrangements relating to MPs and Ministers of the Crown. The Review Body, under the chairmanship of Lord Boyle, included within its review the statutory pensions paid to former holders of the offices of Prime Minister, Speaker and Lord Chancellor. The Committee recommended new values for the fixed rate pensions payable to the then incumbents and suggested that in future these statutory pensions should be related to the salary attaching to the office, so removing the need to reconsider their amount on each occasion that the salary was revised.

1972 Act

4. Legislative effect to the recommendations was given by the Parliamentary and other Pensions Act 1972. Part II of the Act amended by the Parliamentary and other Pensions and Salaries Act 1976, the Parliamentary Pensions Act 1978 and the Parliamentary Pensions etc Act 1984, governs their pensions. In addition the Lord Chancellor's Pension Act 1832 makes provision for the Lord Chancellor's pension. Following the 1987 Parliamentary Pensions Act, the pensions of these three office holders continue to be contained in primary legislation. The pensions are not payable out of the Parliamentary Contributory Pension Fund but out of the Consolidated Fund.

Prime Minister/Speaker

5. Under the Section 29 of the 1972 Act, the Prime Minister and the Speaker are entitled to a pension of a fixed proportion of final salary. (these were subsequently fixed at 15/40 and 20/40 respectively.) The Prime Minister was, therefore, before the recent salary increase entitled to a pension of £16,790.63 i.e. 15/40 of £44,775, the Prime Ministerial element of salary. No account is taken in calculating the pension of whether the Prime Minister draws a full salary. The pension is not based on the length of time the office is held. Subject to certain exceptions it is payable from the time the person ceased to hold office. On the death of a person who holds or has held the office of Prime Minister or Speaker, the provisions relating to widows' and dependants' pensions under Part I of the PPA 1972 are applied subject to modifications.

6. The pension is increased in line with movements in the RPI under the provisions of the Pensions Increase Act 1971, subject to the condition that in the case of the Prime Minister, for example, the maximum pension payable cannot exceed 15/40ths of the salary of the Prime Minister actually in office. Thus, if inflation rises faster than the Prime Minister's salary, retired Prime Ministers will not receive a fully index-linked pension — in other words, there is an implied cap.

Lord Chancellor

7. Under section 28 of the 1972 Act, the Lord Chancellor is granted an annuity to commence on his ceasing to hold office and payable for life, subject to certain exceptions. The amount of the pension (17/40 of final salary) does not depend upon the length of time he held office. He may also be granted a lump sum payable on death or resignation. There is a widows' and children's pension scheme which is contributory. The legislation is contained in Part II of the Judicial Pensions Act 1981 (c20).

Mr Wicks

NEA

The Paymaster's first comment is a little indiscreet but I thought it was worth

With the Compliments

of the

Paymaster General's

Private Secretary

recording to all and sundry.

2/4

Treasury Chambers,
Parliament Street,
SW1P 3AG

CONFIDENTIAL

FROM: S P JUDGE
DATE: 2 November 1987

MR DE BERKER

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Lord Privy Seal
Sir Robert Armstrong
Sir Peter Middleton
Mr F E R Butler
Mr Kemp
Miss Mueller
Mr Anson
Mr Wicks (No 10)
Mr Luce
Mr Dixon
Mr Chivers
Mr Gilhooly
Mr Truman
Mr Sheridan
Mr Bell
Mrs Harrop
Mr Graham
Mr Cropper
Mr G T Morgan (OMCS)

DRAFT EVIDENCE FOR THE TSRB: SEVERANCE PAYMENTS FOR COMMONS MINISTERS

The Paymaster General has seen your submission of 30 October. He had the following comments:

i. the qualifying period of two years (**paragraph 6**) seems odd. If someone is removed from office by the Prime Minister after less than two years in post, part of the responsibility would seem to lie with the PM for an ill-advised appointment - and certainly someone sacked in these circumstances is going to have more difficulty in securing alternative employment. The Paymaster is not wholly clear if a severance payment is available to someone who voluntarily resigns office, as some do. He could see a case for a qualifying period for such people;

ii. he thinks it might be sensible to add ", unless he is over 65" to the last sentence of **paragraph 11**. The Paymaster notes that the present Lord Chancellor is aged 60;

Told Simon Judge impossible to identify who are voluntary & who involuntary.

iii. when the final version is submitted for approval, the Paymaster would like to be reminded of the precise rules of severance payments for MPs;

iv. he thinks the language of **paragraph 18 ii.** needs to be refined. Someone can easily lose office after a General Election, even though his Party doesn't: his situation is identical to that of someone who loses office mid-term.

S P JUDGE
Private Secretary

3038/007

CONFIDENTIAL

FROM: J de Berker
DATE: 30 October 1987

1. MR GILHOOLY Agreed in draft.
2. PAYMASTER GENERAL

cc Chancellor of the Exchequer
Chief Secretary
Financial Secretary
Economic Secretary
Lord Privy Seal
Sir Robert Armstrong
Sir Peter Middleton
Mr F E R Butler
Mr Kemp
Miss Mueller
Mr Anson
Mr Wicks (No. 10)
Mr Luce
Mr Dixon
Mr Chivers
Mr Truman
Mr Sheridan
Mr Bell
Mrs Harrop (o/r)
Mr Graham
Mr Cropper
Mr G T Morgan (OMSC)

DRAFT EVIDENCE FOR THE TSRB: SEVERANCE PAYMENTS FOR COMMONS MINISTERS

You will want to know the current position. A preliminary draft of the written evidence to the TSRB on severance payments for Commons Ministers is attached. Hither to, it has not been widely circulated, but it has been shown to the Lord Privy Seal who has commented (see below).

2. The existing scheme for the Lords was set up in 1984 under the Parliamentary Pensions etc Acts after a TSRB report in 1983. It makes severence payments equal to three months salary to members of the Lords who cease to hold salaried office following resignation,

or a change of government. To be eligible the recipient must also be under the age of 65, have held a relevant office in the Lords for at least two years, and not be reappointed to another office in less than three weeks. Salaried opposition offices, and the Chairman, and deputy Chairman of Committees also qualify for payments under the scheme.

3. The present draft is deliberately couched in neutral, factual terms, although some sensitive issues are involved:

(i) Ministers can leave office for a wide variety of reasons. Should severance be paid for some reasons and not others? One major distinction is between the aftermath of a general election and everything else. You will wish to consider whether the scheme should be confined to the latter, since a key justification for the present proposals is the public interest argument that Prime Ministers should not be inhibited from making Ministerial changes for fear of the effect upon the individuals concerned. The Prime Minister has expressed interest, recent press cuttings from the Telegraph and Woman's Own are attached.

(ii) The public interest argument is double-edged, since desirable changes may be inhibited if they entail severance payments which are hard to justify. Should severance payments be available for some reasons - eg ill health - but not others? Or should the Prime Minister have discretion; a proposal we would advise against.

(iii) Should payments be made for salaried members of the Opposition along the lines of the current Lords scheme? You will also wish to consider the position of the Solicitor General for Scotland who does not sit in either House.

(iv) You will also wish to consider the appropriate line to take on the increase in the parliamentary salary which becomes payable on leaving ministerial office.

4. The Lord Privy Seal considers, that as far as possible, the Lords scheme should be the model for the Commons. So it would pay out on loss of office for whatever reason, including loss of office following a General Election, and it would cover salaried members of the Opposition. He also considers that the scheme should be extended to cover Ministers who do not sit in either House, as they are in the same predicament as Ministers in the Lords were prior to the introduction of the scheme. Finally, he considers that the compensation should be based on the actual drop in income experienced ie on the Ministerial salary plus the reduced parliamentary salary minus the full parliamentary salary. This minimises the cost and would have presentational advantages.

5. On presentation, the Lord Privy Seal thought that the paper should be shortened to a page or so, and most of the material put into an appendix. We will be making another submission to him early next week, and you will have the opportunity to comment at that stage, but you may wish to do so before then. We hope to get an agreed version of the evidence to the TSRB towards the end of next week.

J de Berker

CONFIDENTIAL

Evidence for Top Salaries Review Board on Severance Payments to Ministers and office holders who are not members of The House of Lords.

Introduction

Following TSRB Report No 20 May 1983 the Parliamentary Pensions etc Act 1984 introduced severance payments for members of the House of Lords ceasing to hold a salaried office. Subject to certain conditions (see below) they are now entitled to a severance payment of three months annual salary on leaving office following resignation or a change of government. The evidence below briefly describes the system in operation for the House of Lords, outlines the considerations which would be involved should such a scheme be introduced for the House of Commons, and invites the TSRB to make recommendations.

The Present Position

2. The case for severance payments for members of the House of Lords rested on the fact that they have no parliamentary salary to fall back on, and no equivalent to the system of resettlement grants for Members of Parliament who leave their seats at a General Election. (These were first introduced following a TSRB recommendation in 1971.)

3. Members of the House of Commons who cease to hold a salaried office may also face an abrupt change in income. They will revert to a full parliamentary salary, currently £18,500 pa, in place of the reduced salary of £13,875 pa paid to members who also hold Ministerial Office, but they will still face a substantial drop. A Parliamentary Under Secretary of State would lose £12260 pa - about 40 per cent of his previous combined Ministerial parliamentary salary at current pay rates. A Minister of State would lose £18250 pa - about 50 per cent, and a Secretary of State would lose £28520 pa - about 60 per cent. The resettlement assistance available to Members of Parliament who lose their seats or do not stand at a

General Election currently represents six to twelve months' parliamentary salary (depending on age and length of service); but there is no additional element where a Ministerial salary has also been lost.

4. Members of Parliament often hold paid outside appointments which they are required to relinquish when appointed as Ministers. It takes time to re-establish previous contacts on leaving office and there is a case for making severance payments to ease the abrupt transition.

Possible Severance Pay Arrangements

5. If it were decided to introduce a scheme of severance pay for members of the House of Commons who cease to hold salaried offices, it would be necessary to consider:

i. the conditions for eligibility for severance pay;

ii. the amount of severance pay to be granted;

iii. the scope of the scheme - which offices should qualify their holders for severance pay.

(i) Conditions

6. A member of the House of Lords who ceases to hold a relevant office other than by death is entitled to severance pay if he has:

a. not yet reached the age of 65;

b. held one or more relevant offices throughout the previous two years; and

c. not been reappointed to a relevant office within the following three (in most cases) weeks.

These conditions could provide a model for a scheme applying to members of the House of Commons.

7. At present there is also a condition in the Lords' Scheme that the individual has not been a member of the House of Commons during the previous two years. This condition would clearly not be appropriate for a scheme relating to Commons members, and, in the event of such a scheme being introduced there could be arguments for removing this condition from the Lords scheme, if only to avoid the situation where an office holder in the Commons is appointed an office holder in the Lords, and then ceases to hold office within two years of entering the Lords.

(ii) **Amount**

8. The existing scheme for members of the House of Lords provides severance payments equal to three months of the salary received immediately prior to losing office. A simple approach would be to do the same for the House of Commons scheme.

9. However, this would overlook an important difference between the two Houses. For Lords members who cease to hold office, the transition is from a salary to no salary. For Commons members losing office, the transition is from a higher to a lower salary. In particular, as noted above, on ceasing to hold office the Commons member's reduced parliamentary salary rises by some £4,625 pa to the full parliamentary salary to reflect the increases in strictly Parliamentary duties. It can be argued that this element would be "double counted" if the severance payment were equal to three months of the full salary received prior to loss of office, because, for three months, the member would be better off by £4,625 pa (before tax) than if he had continued in his office.

10. The result would be a more generous provision for members of the Commons than for members of the Lords. A justification might be based on the increase in their Parliamentary duties. But the Review body will also wish to consider the case for both schemes making payments on a consistent basis, eg by basing the Commons scheme on three month's full Ministerial (or other) salary minus the increase in parliamentary salary payable on leaving office. As in the Lords the payment would be related to the actual reduction in income experienced.

11. A further point for consideration is whether the amount of severance pay should be affected by any pension entitlement. Under the Parliamentary and Other Pensions Act 1972, a Prime Minister, Speaker, or Lord Chancellor, who ceases to hold office becomes entitled to an immediate pension, irrespective of age (evidence on these pensions has been submitted separately). This entitlement does not affect the Lord Chancellor's entitlement to severance pay under the existing House of Lords Scheme, and consistency suggests that in any Commons scheme pension entitlement should similarly not affect the entitlement to severance pay of a Prime Minister or Speaker who ceases to hold office. An alternative would be to provide that none of these three offices should carry eligibility for severance pay, on the grounds that the entitlement to an immediate pension irrespective of age avoids any hardship. This would, of course, place the Lord Chancellor in a worse position than at present.

12. Under the 1972 Act there is also an option whereby holders of Ministerial office in the Commons may elect to make pension contributions from the part of their salary which exceeds the Parliamentary salary of a backbench MP. If they do so they earn a correspondingly increased pension entitlement. It is for consideration whether any such increased pension entitlement should be taken into account in determining the amount of severance pay. Two arguments suggest that it should not:

i. there would be little overlap between the severance and pension schemes: a condition of eligibility for severance pay would be that the member had not yet attained the age of 65, whereas full Parliamentary pension is payable only when the age of 65 <u>has</u> been attained. (There is an option to apply for a pension between the ages of 60 and 65, but in that case the amount of pension is actuarially reduced.);

ii. increased pension entitlement is something a member has paid for by voluntarily electing to make increased pension contributions. It would seem invidious if those who chose to do this were penalised by receiving less severance pay.

(iii) **Scope**

13. The existing scheme for members of the House of Lords applies not only to Government Ministers and Whips who receive a salary under the Ministerial and Other Salaries Act 1975, but also to:

i. Opposition offices in respect of which a salary is payable under the Ministerial and Other Salaries Act 1975 - Leader of the Opposition in the House of Lords and Chief Opposition Whip in the House of Lords; and

ii. the office of Chairman of Committees of the House of Lords, and any office of Deputy Chairman of Committees in respect of which a salary is payable out of money provided by Parliament.

14. If severance pay were introduced for Ministers and Whips in the Commons, the question would arise whether it should extend to the other office holders, namely:

i. for Opposition offices, the four offices in respect of which a salary is payable under the 1975 Act - Leader of the Opposition in the House of Commons, Chief Opposition Whip and up to two Assistant Opposition Whips; and

ii. in respect of offices associated with the House itself, the Speaker (who receives a salary under the 1975 Act), plus the Chairman of Ways and Means and the First and Second Deputy Chairman of Ways and Means (who receive salaries out of money provided by Parliament).

15. If the scheme were extended to cover members of the Commons as well as the House of Lords the question also arises whether to include Ministers who are not members of either House. Such cases will be comparatively rare, but the current Solicitor General for Scotland is in this position. If he were to cease to hold office he would not get severance pay and he does not receive a Parliamentary salary.

Costs

16. During the life of a Government the cost of a Commons severance scheme would be modest. The following table shows, for illustrative purposes, the severance pay to which individual holders of three major categories of office would be entitled (at current salary rates) if they had completed two years' service and if the scheme operated as the Lords scheme does but abated for the increase in Parliamentary salary.

Office	Severance Pay (£)
Secretary of State	7,130
Minister of State not in Cabinet	4,563
Parliamentary Secretary	3,065

17. The costs would of course become substantial (about £½ million) were the severance payments to be made on loss of office as a result of a general election. The TSRB may wish to consider whether there are arguments for making severance payments after a general election.

Conclusion

18. The TSRB is invited to consider and make recommendations:

i. on whether there should be a severance pay scheme for members of the House of Commons ceasing to hold salaried offices;

ii. if there is such a scheme, what the conditions for elegibility for severance payments should be. Should any distinction be made between reasons for leaving, in particular for loss of office following a general election.

iii. what the amount of severance pay should be bearing in mind the scheme for the Lords;

iv. on whether the scheme, if introduced, should include Ministers who are not members of either House.

Extract from Front Page Daily Telegraph
Monday 26 October 1987

Pay-off plan for sacked Ministers

By George Jones
Political Correspondent

MRS THATCHER is backing proposals for a severance payment of between £4,000 and £8,000 for Ministers who are dropped from the Government.

A sacked Cabinet Minister experiences an overnight pay cut of nearly £30,000 a year, and he also loses the use of a chauffeur-driven car paid for by the Government.

Interviewed in the latest issue of Woman's Own, published today, the Prime Minister said she regards the way dismissed Ministers are treated as "inhuman".

"One thing which has bothered me such a great deal is that a Ministerial post is, I think, the only job in England in which you don't get any severance pay, or notice at all," said Mrs Thatcher.

During her eight years as Prime Minister, Mrs Thatcher has dismissed more than a score of Ministers in a series of reshuffles.

Sacked Ministers lost not only prestige but an extra salary, and their car was taken away from them, she said. "I don't know anyone—even among those the public think are the toughest—who isn't hurt by these things."

As well as a blow to their pride, sacked Ministers could still face big bills for some time, which would have to be met out of a backbench MP's pay. "I know how their wives must feel. It takes time to adjust to a different income."

From January, MPs will receive £22,548 a year, compared with a Cabinet Minister's salary of £51,068. Junior Ministers will get more than £30,000 a year.

Mrs Thatcher said she felt she might now be able to do something about giving ex-Ministers a golden handshake or redundancy pay. Mr Wakeham, Leader of the Commons, has already asked the Top Salaries Review Body to look at severance pay for Ministers and is awaiting its recommendations.

One proposal put to the review body is that a Minister should receive a severance payment equivalent to three months' Ministerial pay, less his salary as an MP.

This would mean that a junior Minister would expect a golden handshake on leaving office of £3,000 to £4,000, while a Cabinet Minister would expect around £8,000.

In the interview Mrs Thatcher also called on the Churches to be more outspoken in dealing with Aids. "Churches are your great institutions. You're entitled to look at them and say, 'Look, there are certain standards, and if you undermine fundamentally these standards, you'll be changing our way of life.'

"When the authority of those institutions is undermined because they haven't been forthright, it is then that people turn too much to the State."

Questioned about her own future, and whether she would still be Prime Minister in the year 2000, Mrs Thatcher said: "I don't think somehow I shall be—but one's thoughts are moving towards things we ought to do and targets we ought to achieve."

Extract from "Woman's Own" 26 October 1987

AIDS, EDUCATION AN

It seems there's no stopping Margaret Thatcher! She's now well into her record-breaking third term as Prime Minister—and looking far into the future. So what plans is she making? You'll be amazed!

She reminds one more forcefully than ever of an aunt who sits on the magistrates' bench, or of a slightly prim but well-meaning headmistress. The difference is in what she wears these days—up-market Aquascutum rather than middle-market Marks and Spencer—and the way she scuttles around Number 10, as befitting someone who has lived there for eight years and knows every table, chair and curtain intimately. Into the white drawing-room for the photographs, across the landing to the study for the interview and, afterwards, up the narrow staircase to the Prime Minister's flat she goes, just like a busy rabbit.

In the study, the cups of tea are ignored as Mrs. Thatcher answers my questions patiently, and talks for over an hour on subjects ranging from cruelty to children ("The worst crime in life"), to AIDS ("Some Churches have not been forthright enough"), to education ("If you're not stretching the minds of children then you're not doing justice to them by their education"), to morals ("It's our duty to look after ourselves, and then, also, to look after our neighbour"), to looking ahead to the year 2000 ("I don't somehow think I shall still be Prime Minister, but one's thoughts are moving in certain directions . . .")

When Parliament reassembled last Wednesday, Mrs. Thatcher was embarked on her third successive term of office—a record for a British Prime Minister this century. June's general election gave her Tory Party a majority of 101 in the House of Commons. Too much for a healthy democracy, some argue. Not at all, says Mrs. Thatcher.

"We are the one country in Europe, among those involved in the last war, with a clear majority and a clear government policy and we can negotiate with that in mind. We can make our decisions more quickly. It was we who were first to send minesweepers to the Gulf—others followed."

Next year there will be elections in France, and the following year Presidential elections in the United States—"So it is extremely good we have a sizeable majority. If we hadn't, then I think other countries might have looked at us with rather different eyes and suggested, 'Ah well, Britain is retreating from the things she has been achieving.'" So Mrs. Thatcher may become the undisputed leader of the Western world? The Prime Minister attempted to join up the fashionable six-inch slit in her skirt which seems to bother her throughout the interview. Her other hand spends most of the time placed as if in an oath of allegiance over her triple string of pearls.

"Certainly I shall be the one with the longest experience," she finally replies.

But in the British parliament, such a large majority might mean that Mrs. Thatcher would push through her policies without paying much attention to criticism and comment. After all, even her own supporters have been known to complain she is not very good at listening to others.

"But I *do* listen, a very great deal," she says, almost plaintively, "and if there is something in what people say, and you haven't taken

'I *do* listen to what other people say'

account of it, then you've *got* to take account of it." I asked the Prime Minister if she would give me an example of this happening.

There was a long silence while she gave thought. Then she recounts the tale of a young man in Middlesbrough who had complained that government advertisements offering help to the unemployed, like himself, to start up their own business, made the point that they first had to find £1,000. The man told Mrs. Thatcher there was no way he could get hold of £1,000.

"Immediately I got back to London I said, please would someone look at these advertisements because we really cannot put off the very people we are trying to help. What you must say is, 'There are organisations that will help you to raise the £1,000.'"

Mrs. Thatcher is adamant that she is not surrounded by ministers who fall in line at the sound of her voice. "It is well known that we do have very vigorous debates in Cabinet. You can't have those *and* 'yes' men and women—the two things are contradictory."

And sometimes ministers even resign over policy differences?

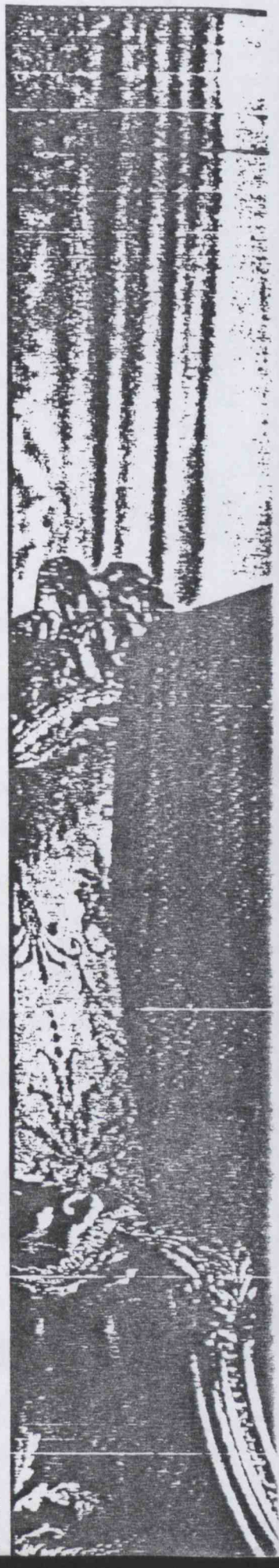
"Yes, yes, they do. And also one of the most difficult parts of my job is telling people they have to go, in order to make way for someone else. They come in through that door over there—they've got prestige, they've got a car which helps them in their duties, and they have a salary. And they go out with a blow to their prestige they couldn't possibly have known about when they came in. That same day their car is taken away from them. I don't know anyone—ever—among those the public think are the toughest—who isn't hurt by these things."

Had she ever been on the point of calling someone back?

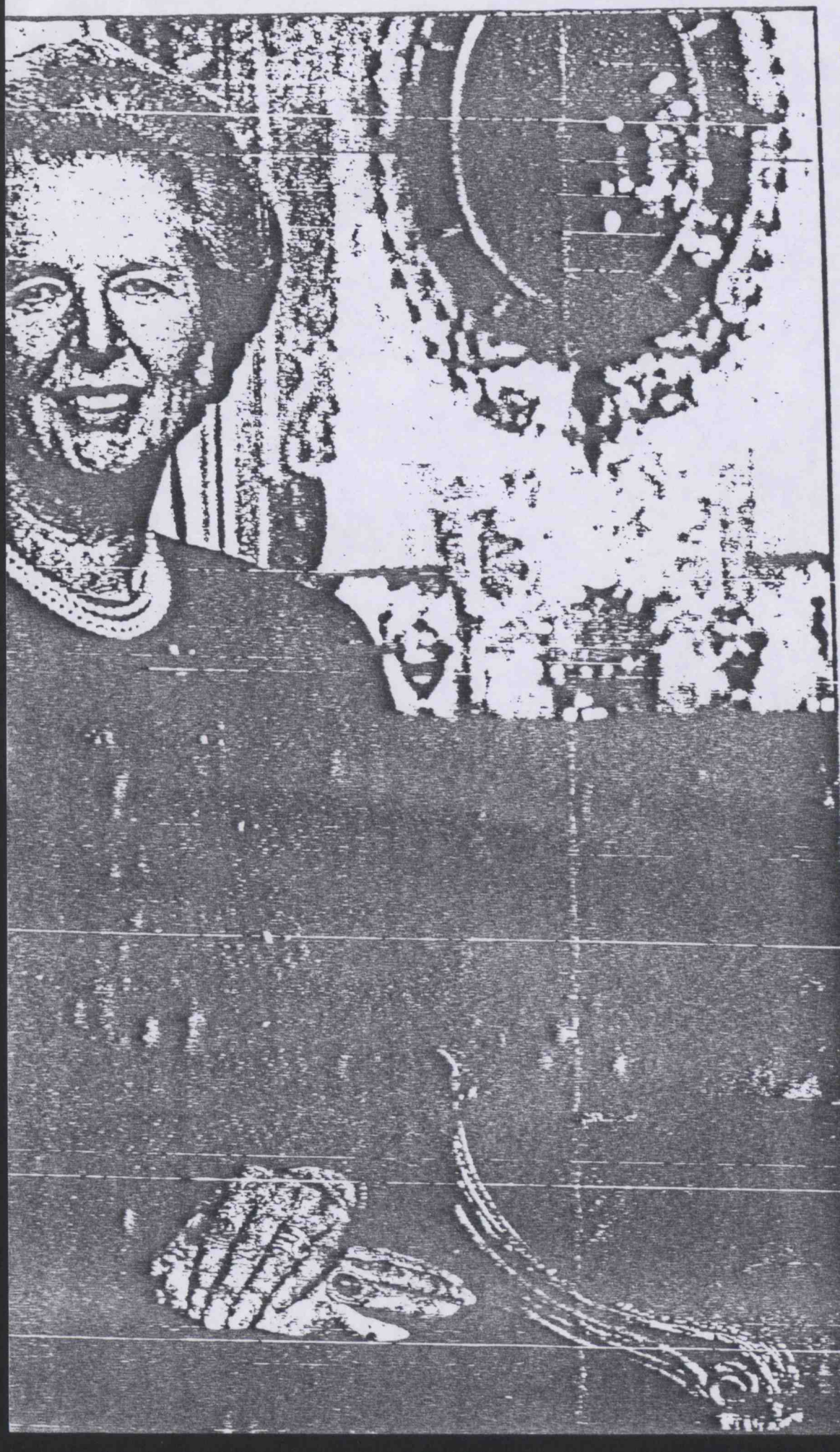
"No, because one has already agonised over the decision, really agonised. The person you ask to come in afterwards, to take the place of the out-going man, is absolutely thrilled, of course, when you give them the news. But one does sometimes say, 'Look I think you'd be wise to have a word with your predecessor who I'm sure will be generous enough to advise you of things that are waiting to be decided upon.'

"One thing which has bothered me such a great deal is that a ministerial post is, I think, the only

World leaders at June's Venice summit—"Britain's the only country in Europe with a clear majority and policy. We can negotiate with that in mind."



HE YEAR 2,000!



job in the United Kingdom in which you don't get any severance pay, or notice, at all. I must say, I find this inhuman. As the out going person leaves the room, I know what he's worried about. As well as the blow to his pride, he's going to get some quite big bills coming in for quite a long time, bigger than his reduced income as a back-bencher might warrant."

Having been Prime Minister "for quite some time now," Mrs. Thatcher feels she may be able to do something about giving ex-ministers a golden handshake or redundancy pay, though the question will have to be referred to one of the salary review bodies first.

"And of course, in this hard world in which we live, someone's going

'I will be sad to leave Number 10'

to say, 'What! You're going to sack so many you're going to have a special fund!' They would be totally wrong. But I know exactly how I would feel, and I know how their wives must feel. It takes time to adjust to a different kind of income." As far as she can recall, Mrs Thatcher herself has only ever lost a job through the outcome of a general election—"I was Parliamentary Secretary to the Ministry of Pensions"—but the experience has left its memory. "All of a sudden you find that someone else is taking over your job, and that really is quite shaking."

So, how would she feel when the time comes to leave Number 10?

She gives careful thought. "I think all of us who work in this great house of influence and history, know we are immensely privileged. Everyone is sad at leaving because you're not only losing your job, you're also losing a lot of friends . . . and so, yes, it will be sad. And the longer you're here, the sadder it will be because it has become *(Please turn to next page)*

Wife and mother, with husband Denis and their children Mark and Carol

AIDS, EDUCATION AND THE YEAR 2000

Continued from previous page

the habit of your life." After eight years as Prime Minister I wondered whether she was still stimulated by the job, or was weariness beginning to creep in? Mrs. Thatcher's eyebrows shoot up.

"I'm immensely stimulated by the thought of what I still have to do. People of our age are stimulated by the thought that we hope to be alive at the turn of the century, the turn of a thousand years, is rather special you know."

Would she like still to be Prime Minister in the year 2000?

Mrs. Thatcher leans back in her chair and smiles. "I don't think somehow I shall be—but one's thoughts are moving towards things we ought to do and targets we ought to achieve. It's not quite time to start, but it's time to be thinking about it. The targets must involve everyone, whether you live in a town or village. The year 2000 is only 13 years away and we will not only be beginning another century, we will be beginning another thousand years. 'A thousand ages in thy sight are like an evening gone.' Immediately the words of that fantastic hymn come back."

Time to pause, and sip the tea that has gone cold, before launching into the nitty-gritty questions about children's schooling, and the decline of morals, and the spread of AIDS which, the Prime Minister agrees, could be the single greatest problem facing us in 2000—"Because, although we're putting quite a lot into research, there's not a vaccine in sight yet to stop it."

The tone of Mrs. Thatcher's voice changes when she speaks of AIDS. One senses she is tip-toeing over stepping stones across a river increasing to terrifying spate. She

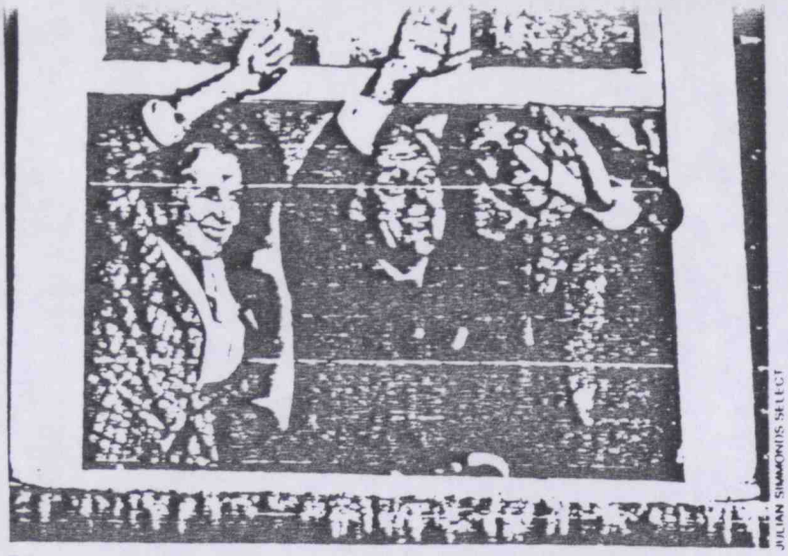
'The worst crime in life is cruelty to children'

thinks the government warnings have made a big impact at first, but now perhaps there is a feeling that 'these things won't happen to me.'

She says there has been criticism that "What you've been saying is not 'Don't do that, it's dangerous,' but 'If you do that in a certain way, you'll be safe.' People have said to me, don't you think it would have been better if you had said 'Don't do that at all.' To which one has to say, some people will get together in any event, and it is our duty to tell them of the dangers if they do."

Interestingly, there is no condemnation on moral grounds, and a strange, almost shy, use of the word 'that.'

"Parliament isn't the great institution of life," Mrs. Thatcher continues. "Churches are your great institutions, as are your great voluntary associations. And you're



JULIAN SIMMONDS/SELECT

Triumphant Prime Minister at No. 10 with Denis and the then Tory Chairman Norman Tebbit after her third election victory—"I'll be sad when I leave"

entitled to look to them and say, 'Look, there are certain standards, and if you undermine fundamentally these standards you'll be changing our way of life.' When the authority of those institutions is undermined because they haven't been forthright, it is then that people turn too much to the State."

So, she thinks the Churches should be more outspoken on the subject of AIDS?

"I think so, yes. To do them justice, some of them have been forthright." If there has been a deterioration in the nation's moral standards (as her own Home Secretary has suggested), what does she think has caused it?

"I think we've been through a period where too many people have been given to understand that if they have a problem, it's the government's job to cope with it. 'I have a problem, I'll get a grant.' 'I'm homeless, the government must house me.' They're casting their problem on society. And, you know, there is no such thing as society. There are individual men and women, and there are families. And no government can do anything except through people, and people must look to themselves first. It's our duty to look after ourselves and then, also, to look after our neighbour. People have got the entitlements too much in mind, without the obligations. There's no such thing as entitlement, unless someone has first met an obligation."

But some people might think that today we have competition and free enterprise, and somehow these seemed to go with greed.

"No, it doesn't go with greed at all," says Mrs. Thatcher sternly. "Most of us work so that our children can have a better life, so that if grandma needs help we can have something ready, or give her a treat she might not otherwise have.

"I remember going round a housing association home and one lady proudly showed me the fitted carpet in her flat. 'My son treated me to that. He's doing very well. Aren't I lucky?' Yes, and he couldn't have done it if he hadn't worked hard, and yes, for money! There's nothing wrong with having a lot of money. It is not the fact of having money that is wrong, it is when it becomes the sole and the only thing in your life."

Sometimes Mrs. Thatcher's words come across like a gleaming address to an annual meeting in the Albert Hall. As when she says: "There is a living tapestry of men and women, and the beauty of that tapestry and the quality of our lives will depend on how much each of us is prepared to take responsibility for ourselves. And each of us, by our own efforts, is prepared to turn round and help those less fortunate." But few, even among her political opponents, question her

'There's nothing wrong with having a lot of money'

sincerity. She is as convinced of the importance of standing on one's own feet as she is that child cruelty by parents is "one of the biggest problems and the greatest sin there is."

"The worst crime in life is when children who would naturally have the right to look to their parents for help, for comfort, for understanding, turn round and get only neglect, or worse than that, cruelty."

Mrs. Thatcher's foremost charity has always been the NSPCC. "When it was founded over 100 years ago, it was hoped the need for it would dwindle to nothing, and by now the problems would be solved. But they're not.

"We now realise that the great problems in life are not those of housing, food, and the standard of living. When you've got all those, you're still left with the problems of human nature. And it's difficult to say to a child who's not had what we would regard as his or her birthright—that is, a good home—'You're responsible for your behaviour.' Because they just haven't had a chance in life!"

Mrs. Thatcher sees closely knit families as the bulwark against the ills of the world.

"A nation of free people will only continue to be great if family life continues and the structure of that nation is a family one." And she sees the opportunity to develop children's talents as vital for the future. This autumn the Government is proposing radical reforms which will introduce a core curriculum—English, arithmetic, and basic science—that will be common to all secondary schools, and legislation that will allow parents to choose which school their child attends.

"I think there was an educational view that children will learn when they're ready."

The Prime Minister is careful not to blame teachers—"Sometimes children are not being taught the right subject in the right way, but you cannot condemn all teachers, far from it. When one looks for where things are going wrong, one mustn't forget the enormous achievements teachers have attained." Or blame parents—"Though sometimes there is not enough discussion between parents and children."

At present the Government does not have control over what is taught in individual schools—"And we don't want to take over the total curriculum. But we have a duty to say that certain things must be taught. And they must be taught for a certain number of hours."

One advantage of the core curriculum, Mrs. Thatcher believes, will be that children moving between schools will know that by a certain age they ought to be up to a common standard. She is "overwhelmed" that some children today, after 11 years' schooling, don't know the essence of writing a letter or basic arithmetic.

"One isn't trying to force them, but you've got to know certain things to get through life. And if you're not stretching the minds of children then you're not doing justice by their education. You are trying to do the best by and for children." That is why, where possible, the Government believes they should be allowed a choice of schools.

The next few months—and years—are going to be tough for Mrs. Thatcher, pushing through controversial legislation in Britain and playing, increasingly, a leading role on the international stage. She is still the darling of the Conservative Party, and there are not the slightest signs of retirement for Margaret and Denis Thatcher—at 71, 10 years older than his wife.

"We have a very full life together," says Mrs. Thatcher. "We're happy, and it seems the natural way to continue."

My own personal guess is that when she does finally move out of Number 10, Mrs. Thatcher may well take charge of preparing celebrations for the year 2000.

In the meantime, she gave me this very Thatcherite definition of happiness: "Happiness, when you're an adult, consists of having a very full day and being absolutely exhausted at the end of it, but knowing you've had a very full day." She stands up, and smoothes down the front of her slit skirt.

"When I leave here I'll have to do something. I can't do nothing." ■

PRIVY COUNCIL OFFICE

WHITEHALL. LONDON SW1A 2AT

24 July 1987

Dear Lord Plowden,

I am writing to invite the Top Salaries Review Body to undertake a review of the Parliamentary Pension Scheme (together with the question of resettlement grants for those Members who retire at a General Election), the pensions of the Prime Minister, Speaker and Lord Chancellor and Ministerial severance pay.

I realise that your Committee have relatively recently reviewed (in May 1983) the Parliamentary Scheme, but during the passage of the Parliamentary and Other Pensions Act 1987 there was a feeling that the time had come for a further review. In particular, concern has been expressed about certain apparent anomalies in the Scheme.

There are unfortunately some pressing time constraints. Regulations must be in place by 1 April 1988, changing the existing Scheme to incorporate the provisions of the Social Security Act 1986. This will enable Members to opt out of the Parliamentary Scheme in favour of a personal pension, if they so wish. Regulations will have to be laid in good time to meet this target. It would clearly be desirable to incorporate any agreed changes resulting from your review of those regulations, so that Members may take an informed decision. In these circumstances, I would hope that you would be able to report by the end of this year.

The Government would therefore be most grateful if the Review Body could undertake a review of the Parliamentary Scheme and in particular consider the following anomalies:

i A Member who is over 60 and has served as an MP for not less than 20 years qualifies for an unabated pension, part of which he or she may, like all MPs, commute into a tax free lump sum up to the Inland Revenue limits (1 1/2 of final salary). But resettlement grants are currently available only to MPs who leave at a General Election and under the age of 65. Should this arrangement for resettlement grants continue? Or (a) should those over 65 also be eligible for resettlement grant; or (b) should the resettlement grant be limited to those under 60?

ii Members who retire at age 60 with 20 years service get a full unabated pension, those who retire earlier with 20 years service must wait until they are 65 (although they may draw an immediate abated pension). Is there a case for those retiring at age 55 or more with 20 years service to receive a full pension at 60? If so, would this create further anomalies? In either case, could any anomalies be avoided by some form of tapering?

Perhaps the Review Body could also consider whether it is desirable to make any recommended changes retrospective, for those who retired at the last General Election.

In addition to these points the Government would be grateful if the Review Body would consider whether service as an MEP should count towards the 20 year qualifying period in the Parliamentary Scheme: this was raised in the House of Lords during the Committee stage of the Parliamentary Pension etc Act 1984.

In the debate during the passage of the Parliamentary and Other Pensions Act 1987 some concern was expressed about the fixed nature and level of Members' contributions (currently 9%). In framing your conclusions on the points above, you will wish to form a view on these questions.

The Government would also like to invite the Review Body to consider the pensions payable to the Lord Chancellor, the Speaker and the Prime Minister. The Prime Minister's pension is calculated at 15/40ths of the salary payable to the Prime Minister currently in office. There are similar calculations in the case of the Lord Chancellor's and the Speaker's pensions. The questions for consideration are whether this linkage remains appropriate; whether (if so) the linkage should be the current fraction or some higher figure; and whether it should apply to the whole salary, including in the case of the Prime Minister, both the Parliamentary and Ministerial elements. I hope that you will also examine whether a Speaker or Prime Minister might be permitted to contribute, in the way other Ministers and office holders can, to the Parliamentary Pension Scheme, and whether any such contribution can be made in respect of past service.

Finally, the Government would be grateful if you could consider whether Ministers and other office holders not in the House of Lords (whether in the House of Commons or not) should receive, on relinquishing Ministerial office, a severance payment on broadly the same terms as are paid to Ministers and other office holders in the House of Lords.

The Government continues to value and appreciate the informed and independent advice of the Review Body in this sensitive and difficult area.

Yours ever,
John Wakeham

JOHN WAKEHAM

Lord Plowden KCB KBE
Chairman
Top Salaries Review Body

Pour Minutes 4

Lord Advocate's Chambers
Fielden House
10 Great College Street
London SW1P 3SL

Telephone Direct Line 01-212 0100
Switchboard 01-212 7676

IN CONFIDENCE

N L Wicks Esq
Principal Private Secretary
10 Downing Street
LONDON SW1A 2AA

23 July 1987

Dear Nigel,

Thank you for your letter of 14 July concerning the Ministerial salary of the Solicitor General for Scotland.

The Lord Advocate is grateful to the Prime Minister for the attention she has given to this matter.

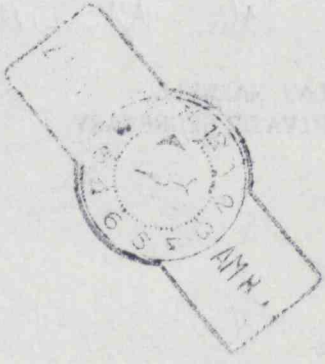
Yours sincerely,
Alan Maxwell.

ALAN MAXWELL
PRIVATE SECRETARY

PARLIAMENT MEMBERS

MP'S PAY

PTO



DASALF

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

REFERENCE OF MINISTERIAL AND PARLIAMENTARY PENSION ARRANGEMENTS TO THE TOP SALARIES REVIEW BODIES

I have shown the Prime Minister your minute of 20 July, in which you sought the Prime Minister's approval for the terms of a letter of reference to the Top Salaries Review Body, giving effect to Ministers' decisions concerning aspects of Ministerial and Parliamentary pensions which were being referred to the Review Body. The Prime Minister is also aware of the revised versions of paragraphs 4(i) and 6 which were later suggested by the Lord Privy Seal's Office and the Treasury.

The Prime Minister is content for the letter, as amended, to be sent to the Review Body. She is also content with the terms of the answer the Lord Privy Seal's office gave me yesterday, to Mr Jeremy Hanley's question to the Lord Privy Seal about this reference.

I am sending a copy of this minute to the Private Secretaries to the Lord President, the Chancellor of the Exchequer, the Lord Privy Seal and the Chief Whip.

N. L. W.

N. L. WICKS
23 July 1987

PRIME MINISTER

REFERENCE OF MINISTERIAL AND PARLIAMENTARY PENSION ARRANGEMENTS TO THE TOP SALARIES REVIEW BODY

You asked on Robert Armstrong's minute below whether it was worth asking whether the pension amount paid to Prime Ministers, Speakers and Lord Chancellors should show any variation with their time in office.

The TSRB can examine this. But rather than put this in the letter to the TSRB which will be published (on which see below), I suggest that Robert Armstrong mentions it orally to the Chairman of the TSRB as a point that they would obviously wish to examine in their reference. Agree? Yes

Since you saw the draft last night, the Treasury and the Lord Privy Seal have suggested some clarificatory changes to paragraphs 4(i) and 6. The amendments to the letter do not look to cause any difficulty.

The Lord Privy Seal has to announce the reference to the House and has sought your approval to the draft answer immediately below. You will see that it refers to the pension arrangements for the Lord Chancellor, the Speaker and the Prime Minister, and says that a copy of the letter to the TSRB is to be placed in the Library of the House. Content with the draft answer?

N.L.W.

NLW
23 July 1987

JA2ARJ

REVIEW BY THE TSRB OF THE PARLIAMENTARY PENSION SCHEME

169 **Mr Jeremy Hanley** (Richmond and Barnes): To ask the Lord Privy Seal, whether he proposes to refer the parlimantary pension scheme to the Top Salaries Review Body. ¶

DRAFT REPLY

I have today written to the Chairman of the TSRB asking the TSRB to review the Parliamentary Pension Scheme. In my letter I drew his attention to the anomalies in the Scheme which had been raised during the passage of the Parliamentary and Other Pensions Act 1987. I referred also to specific issues about which Members had expressed concern during our discussion of the proposals in that Act, and to a particular point which had been raised earlier in the House of Lords. In addition, I have asked the TSRB to consider the pension arrangements for the Lord Chancellor, the Speaker and the Prime Minister, and to look at the possibility of introducing severance payments for Ministers and officeholders other than those in the House of Lords who can already receive them.

A copy of the letter has been placed in the Library of the House.

Ref. A087/2206

MR WICKS

With my minute of 21 July (A087/2165) I enclosed a draft letter of reference to the Top Salaries Review Body.

2. The Treasury and the Lord Privy Seal have asked for the draft to be amended in two paragraphs. I attach the revised draft herewith. I should be grateful if you would substitute it for that attached to my minute of 21 July.

No original version was attached

3. I am sending copies of this minute to the Private Secretaries to the Lord President, the Chancellor of the Exchequer, the Lord Privy Seal and the Chief Whip.

RA

ROBERT ARMSTRONG

22 July 1987

DRAFT LETTER FROM THE LORD PRIVY SEAL TO THE RT HON LORD PLOWDEN GBE KCB

1 I am writing to invite the Top Salaries Review Body to undertake a review of the Parliamentary Pension Scheme (together with the question of resettlement grants for those Members who retire at a General Election), the pensions of the Prime Minister, Speaker and Lord Chancellor and Ministerial severance pay.

2 I realise that your Committee have relatively recently reviewed (in May 1983) the Parliamentary Scheme, but during the passage of the Parliamentary and Other Pensions Act 1987 there was a feeling that the time had come for a further review. In particular, concern has been expressed about certain apparent anomalies in the scheme.

3 There are unfortunately some pressing time constraints. Regulations must be in place by 1 April 1988, changing the existing scheme to incorporate the provisions of the Social Security Act 1986. This will enable Members to opt out of the Parliamentary Scheme in favour of a personal

pension, if they so wish. Regulations will have to be laid in good time to meet this target. It would clearly be desirable to incorporate any agreed changes resulting from your review of those regulations, so that Members may take an informed decision. In these circumstances, I would hope that you would be able to report by the end of this year.

4 The Government would therefore be most grateful if the Review Body could undertake a review of the Parliamentary Scheme and in particular consider the following anomalies:

i. Resettlement grants are currently available to all MPs who leave under the age of 65. Those who are over 60 also qualify for an unabated pension, part of which they may commute into a tax free lump sum up to the Inland Revenue limits (1½ of final salary). Should these arrangements continue? Or (a) should those over 65 also be eligible for resettlement grant; or (b) should the arrangement be limited to those under 60?

ii. Members who retire at age 60 with 20 years service get a full unabated pension, those who retire earlier with 20 years service must wait until they are 65 (although they may draw an immediate abated pension). Is there a case for those retiring at age 55 or more with 20 years service to receive a full pension at 60? If so, would this create further anomalies? In either case, could any anomalies be avoided by some form of tapering?

Perhaps the Review Body could also consider whether it is desirable to make any recommended changes retrospective, for those who retired at the last General Election.

5 In addition to these points the Government would be grateful if the Review Body would consider whether service as an MEP should count towards the 20 year qualifying period in the Parliamentary Scheme: this was raised in the House of Lords during the Committee stage of the Parliamentary Pension etc Act 1984.

In the debates during the passage of the Parliamentary and Other Pensions Act 1987 some concern was expressed about the fixed nature and level of Members' contributions (currently 9 per cent). In framing your conclusions on the points above, you will wish to form a view on these questions.

6 The Government would also like to invite the Review Body to consider the pensions payable to the Lord Chancellor, the Speaker and the Prime Minister. The Prime Minister's pension is calculated at 15/40ths of the salary payable to the Prime Minister currently in office. The questions for consideration are whether this linkage remains appropriate; whether (if so) the linkage should be 15/40ths or some higher figure; and whether it should apply to the whole salary, including both the Parliamentary and Ministerial elements. I hope that you will also examine whether a Prime Minister might be permitted to contribute, in the way other Ministers can, to the Parliamentary Pension Scheme, and whether any such contribution can be made in respect of past service.

Finally, the Government would be grateful if you could consider whether Ministers and other office holders not in the House of Lords (whether in the House of Commons or not) should receive, on relinquishing Ministerial office, a severance payment on broadly the same terms as are paid to Ministers and other office holders in the House of Lords.

The Government continues to value and appreciate the informed and independent advice of the Review Body in this sensitive and difficult area.

Prime Minister
Subject to the agreement of Ministers, content with the draft letter?
(NB, reference to PMs' pensions on page 4.) # N.L.W.
cl. 7

Yes mt

Ref. A087/2165

MR WICKS

In your minute of 15 July you asked for a letter of reference to the Top Salaries Review Body, giving effect to the decision made by Ministers last week as to the matter concerning Ministerial and Parliamentary pensions which were to be referred to the Review Body.

As now amended by L.P.S. and Treasury.

2. I attach a draft letter, agreed with the Treasury.

3. It is proposed that the letter should be sent to the Chairman of the Review Body by the Lord Privy Seal.

4. When the letter is approved, I suggest that the Lord Privy Seal should send copies of it to the Lord Chancellor and the Speaker by way of advance notice.

5. I am sending copies of this minute and the draft to the Private Secretaries to the Lord President, the Chancellor of the Exchequer, the Lord Privy Seal and the Chief Whip.

RTA

ROBERT ARMSTRONG

21 July 1987

Is it worth asking whether the pensions should show any variation with the time in office?

mt

DRAFT LETTER FROM THE LORD PRIVY SEAL TO THE RT HON LORD PLOWDEN GBE KCB

1 I am writing to invite the Top Salaries Review Body to undertake a review of the Parliamentary Pension Scheme (together with the question of resettlement grants for those Members who retire at a General Election), the pensions of the Prime Minister, Speaker and Lord Chancellor and Ministerial severance pay.

2 I realise that your Committee have relatively recently reviewed (in May 1983) the Parliamentary Scheme, but during the passage of the Parliamentary and Other Pensions Act 1987 there was a feeling that the time had come for a further review. In particular, concern has been expressed about certain apparent anomalies in the scheme.

3 There are unfortunately some pressing time constraints. Regulations must be in place by 1 April 1988, changing the existing scheme to incorporate the provisions of the Social Security Act 1986. This will enable Members to opt out of the Parliamentary Scheme in favour of a personal

pension, if they so wish. Regulations will have to be laid in good time to meet this target. It would clearly be desirable to incorporate any agreed changes resulting from your review of those regulations, so that Members may take an informed decision. In these circumstances, I would hope that you would be able to report by the end of this year.

4 The Government would therefore be most grateful if the Review Body could undertake a review of the Parliamentary Scheme and in particular consider the following anomalies:

i. A member who is over 60 and has served as an MP for not less than 20 years qualifies for an unabated pension, part of which he or she may, like all MPs, commute into a tax free lump sum up to the Inland Revenue limits (1½ of final salary). But resettlement grants are currently available only to MPs who leave at a general election and under the age of 65. Should this arrangement for resettlement grants continue? Or (a) should those over 65 also be eligible for resettlement grant; or (b) should the resettlement grant be limited

PAYAAF

to those under 60?

ii. Members who retire at age 60 with 20 years service get a full unabated pension; those who retire earlier with 20 years service must wait until they are 65 (although they may draw an immediate abated pension). Is there a case for those retiring at age 55 or more with 20 years service to receive a full pension at 60? If so, would this create further anomalies? In either case, could any anomalies be avoided by some form of tapering?

Perhaps the Review Body could also consider whether it is desirable to make any recommended changes retrospective, for those who retired at the last General Election.

5 In addition to these points the Government would be grateful if the Review Body would consider whether service as an MEP should count towards the 20 year qualifying period in the Parliamentary Scheme: this was raised in the House of Lords during the Committee stage of the Parliamentary Pension etc Act 1984.

In the debates during the passage of the Parliamentary and Other Pensions Act 1987 some concern was expressed about the fixed nature and level of Members' contributions (currently 9 per cent). In framing your conclusions on the points above, you will wish to form a view on these questions.

6 The Government would also like to invite the Review Body to consider the pensions payable to the Lord Chancellor, the Speaker and the Prime Minister. The Prime Minister's pension is calculated at 15/40ths of the salary payable to the Prime Minister currently in office. There are similar calculations in the case of the Lord Chancellor's and the Speaker's pensions. The questions for consideration are whether this linkage remains appropriate; whether (if so) the linkage should be the current fraction or some higher figure; and whether it should apply to the whole salary, including in the case of the Prime Minister, both the Parliamentary and Ministerial elements. I hope that you will also examine whether a Speaker or Prime Minister might be permitted to contribute, in the way other Ministers and office holders can, to the Parliamentary

Pension Scheme, and whether any such contribution can be made in respect of past service.

7 Finally, the Government would be grateful if you could consider whether Ministers and other office holders not in the House of Lords (whether in the House of Commons or not) should receive, on relinquishing Ministerial office, a severance payment on broadly the same terms as are paid to Ministers and other office holders in the House of Lords.

8 The Government continues to value and appreciate the informed and independent advice of the Review Body in this sensitive and difficult area.

10 DOWNING STREET

PRIME MINISTER

The Chancellor will seek Cabinet's agreement to the decisions reached at your meeting today on Ministers' pay. These are summarised in my letter to the Treasury attached.

N.L.W.

NLW
15 July 1987

CONFIDENTIAL

file DASAKK

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

REMUNERATION OF MINISTERS

I attach a letter which I have today send Alex Allan in the Treasury, describing the outcome of the meeting here today on Ministers' Pay. Before the discussion, I had drawn the Prime Minister's attention to your letter of 13 July to Peter Middleton about the possible reference to the Top Salaries Review Body on Ministerial pay generally. You will see that the meeting agreed the lines of the reference which should be put to the TSRB. Could I suggest that the Treasury and the Cabinet Office should now prepare a reference which reflects the agreement of the meeting. I believe that, in view of the sensitivities, the Prime Minister would wish to see the terms of the reference before it was submitted to the Review Body.

I am sending a copy of this minute, together with a copy of my letter to Alex Allan, to Peter Middleton in the Treasury.

N. L. W.

N L WICKS
15 July 1987

CONFIDENTIAL

CONFIDENTIAL

file DASAKT

SUBJECT

CC MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

15 July 1987

Dear Alex,

REMUNERATION OF MINISTERS

The Prime Minister discussed with the Lord President, the Chancellor of the Exchequer, the Lord Privy Seal and the Chief Whip today the Chancellor of the Exchequer's minute of 9 July on Pay of Ministers in the House of Commons, and the Lord President's minute of the same date on Pay of Ministers in the House of Lords.

After some discussion, it was agreed that:

i. All Ministers, in both the Lords and the Commons, including Whips and other office holders, should receive a cash increase of £4,048. The Treasury should, however, check that this increase would not cause an undesirable anomaly for the pay of the Solicitor General for Scotland, who is currently neither a Member of the House of Commons nor the Lords, and whose salary the Prime Minister had recently agreed should be increased.

ii. The Chancellor of the Exchequer would seek Cabinet's endorsement of this proposal at Cabinet tomorrow.

iii. Subject to Cabinet's agreement, the Lord Privy Seal should announce the increase in Ministerial and other salaries at Business Questions tomorrow, Thursday 16 July. The relevant Order bringing into effect Ministers' and the other pay increases should be laid tomorrow together with the advisory resolution on the pay of MPs. (Presumably the Order will include the increase in the Solicitor General for Scotland's salary, which the Prime Minister has already agreed.) At the same time, the freeze on Members' secretarial expenses will be announced.

iv. There should be no general reference of Ministerial pay to the TSRB. However, the TSRB should be asked to consider the question of severance pay for Ministers and other office holders in the House of Commons; it was suggested that three months severance pay might not be regarded as adequate. The TSRB should also be asked to consider certain aspects of Ministerial pensions. These should include the pensions payable

to the Lord Chancellor, the Speaker and the Prime Minister.

On the Prime Minister's pension, it should be borne in mind that it is calculated as 15/40ths of the salary payable to the Prime Minister currently in office. This raises the following questions: whether the linkage should be to the salary payable to the Prime Minister currently in office; whether (if so) the linkage should be 15/40ths or some higher figure; and whether it should apply to the whole salary, including both the Parliamentary and Ministerial elements. There should also be consideration of whether a Prime Minister might be permitted to contribute, in the way other Ministers can, to the Parliamentary Pension Scheme, and whether any such contribution can be made in respect of past service.

I am sending copies of this letter to the Private Secretaries to the Lord President, the Chancellor of the Exchequer, the Lord Privy Seal, the Chief Whip, and to Sir Robert Armstrong.

Yours sincerely
Nigel Wicks

N L WICKS

A. C. S. Allan, Esq.
H. M. Treasury

IN CONFIDENCE

JD3 BAL file

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

14 July, 1987.

The Prime Minister has now considered the Lord Advocate's minute of 19 June about the Ministerial salary of the Solicitor General for Scotland.

So far as the Prime Minister is aware, no special arrangements were made during the period between 1964 and 1979, for most of which the Solicitor General for Scotland was not a Member of the House of Commons. On the other hand, the Solicitor General's Ministerial salary has deteriorated, as a proportion of the Lord Advocate's salary, since 1981.

The Prime Minister thinks that it would be going too far for the Solicitor General for Scotland, when he is not a Member of Parliament, to be paid the same as he would be paid if he were. After all, he is not a Member of Parliament and does not have the constituency duties and expenses which go with being an MP. She is, however, prepared to agree that the Ministerial salary of the Solicitor General for Scotland (when he is not an MP) should be increased by the amount by which the Ministerial salary of the Lord Advocate (when he is not a Member of the House of Commons) exceeds that of the Solicitor General (for England and Wales). This would be on the grounds that, when he is not an MP, the Solicitor General for Scotland is able to spend more time on Crown Office duties.

On present salary levels, this would bring the Solicitor General for Scotland up by £7,835 to £31,920, a lead of about £3,000 over the Home Advocate Depute and nearly £5,000 over other Advocates Depute.

The Prime Minister will give directions accordingly when a new Ministerial Salaries Order is prepared.

The arrangement would, of course, lapse if and when the Solicitor General for Scotland was a Member of Parliament; and the salary would be subject to review when other Ministerial salaries were being reviewed.

N.L. Wicks

A.G. Maxwell, Esq.,
Office of the Lord Advocate.

IN CONFIDENCE

SRW

DCACAB

CC/BUP

PRIME MINISTER

MINISTERS' PAY

The main item for the meeting is to decide the pay of:

- Ministers in the Commons (on which see the Chancellor's minute at **Flag A**)

- Ministers in the Lords (on which see the Lord President's minute at **Flag B**).

You might also use the discussion to consider issues on Ministers' pay which might be referred to the TSRB. Robert Armstrong's letter to Peter Middleton (**Flag C**), which has not been circulated to the Ministers attending the meeting, describes some possibilities:

- the general level of Ministers' salaries

- pensions payable to the Lord Chancellor, the Prime Minister and The Speaker

- the level of remuneration of Ministers in the Lords

- severance pay for Ministers (which has already been agreed should go to the TSRB).

More generally, do you agree with Robert's inclination to ask the TSRB to undertake a comprehensive review of Ministerial remuneration, covering in particular the specific issues above?

N.L.W.

(N.L. WICKS)

14 July 1987

PRIME MINISTER

I think that, on the basis of the figures in paragraph 2 of Sir Robert Armstrong's minute below, there is a case for increasing the pay of the Solicitor General for Scotland.

The logic of the increase suggested, £7,835, bringing the Scottish Solicitor's salary to £31,920, is extremely convoluted. But it seems to give a reasonable result.

Agree that I should write to the Lord Advocate's Private Secretary in the terms of the draft attached to Sir Robert's minute?

N.L.W.

Yes

N. L. Wicks
13 July 1987

bc: Nigel Wicks

CCB/UP 2

Prime Minister to see how RTA is handling this.

N.L.O 14.7

CABINET OFFICE

70 Whitehall London SW1A 2AS
01-270 0101

From the Secretary of the Cabinet and Head of the Home Civil Service
Sir Robert Armstrong GCB CVO

Ref. A087/2050

13 July 1987

Dear Peter,

Remuneration of Ministers

The Prime Minister has asked that consideration should be given to the arrangements for Ministerial pay generally, so that any difficult references to the Top Salaries Review Body could be made early in this Parliament.

At Cabinet on 9 July, Ministers seemed disposed to allow the Parliamentary salary payable to Ministers to rise on and after 1 January 1988 in line with whatever was approved by the House of Commons for MPs' pay, but not otherwise to increase Ministerial salaries as such. It was, however, recognised that that would bear heavily upon Ministers in the House of Lords, and no conclusive decisions were taken, though it was recognised that it would be preferable to deal with Ministerial salaries in the House of Commons at the same time as dealing with MPs' pay.

For discussion on Wednesday

The Chancellor of the Exchequer has now made proposals which would preserve the existing differentials between MPs and Commons Ministers, and the Lord President has made proposals for applying the Chancellor's proposals to Ministers in the Lords.

There remains the question how Ministerial salaries should be determined in future.

I suppose that one possibility might be to ask the TSRB to include in a review of arrangements for Ministerial remuneration a review of and recommendations on the levels appropriate for Ministerial salaries at some future date - say 1 April 1988, or 1 January 1989 - and recommendations as to how they should be determined in future. The difficulty about this is that in 1983 the TSRB recommended salary levels for Ministers a great deal higher than Ministers were then prepared to accept, and there would clearly be a risk that the Review Body would once again come up with unacceptably high figures. On the other hand, it

/is arguable

Sir Peter Middleton KCB

is arguable that Ministerial salaries are at present unconscionably low, and that the differentials between MPs' pay and salaries of Parliamentary Secretaries, (and perhaps also the differentials between the various grades of Ministers) ought to be significantly larger than they will be on 1 January 1988. It would clearly be less difficult for Ministers to accept increases accordingly if they had been recommended by the TSRB than if they appeared to be decided upon by Ministers themselves without external advice.

There are, I understand, other issues relating to Ministerial remuneration on which it would be convenient to look to the TSRB for recommendations. The Lord Privy Seal referred in his minute of 7 July to the question of the pensions payable to the Lord Chancellor, the Prime Minister and the Speaker. Nigel Wicks has drawn my attention to the fact that the pension of a Prime Minister is calculated as 15/40ths of the salary payable to the Prime Minister currently in office. This raises two questions: whether the linkage should be to the salary payable to the Prime Minister currently in office (which means that, if inflation rises faster than the Prime Minister's salary, the pensions of retired Prime Minister's are not fully index-linked); and whether (if so) the linkage should be 15/40ths or some higher figure, and whether it should apply to [illegible] Prime Minister.

There is, I know, continuing concern about the low level of remuneration of Ministers (particularly Parliamentary Secretaries) in the Lords, who do not draw any Parliamentary salaries and may also be less generously treated than backbench members of the House of Lords in the matter of allowances.

And we have a particular problem at present about the salary of the Solicitor General for Scotland who is not a Member of Parliament; the Lord Advocate has proposed that his Ministerial salary should be increased to give him the same total remuneration he would have got if he had been an MP, or at least the same salary as other Advocates Depute. You have made a very reasonable proposal for dealing with this in the short term, but I wonder whether it should be reviewed and endorsed (or revised if need be) by the TSRB; I am fearful that we may otherwise end up with a permanent increase in the Ministerial salary of the Solicitor General for Scotland, whether or not he is an MP.

There is also the question of severance pay for Ministers and other office holders in the House of Commons: that might be better dealt with in this collection of matters relating to Ministerial remuneration than in the separate reference on Parliamentary pensions.

There may well be other issues of which I am not aware.

I am inclined to think that it might make sense to ask the TSRB to undertake a comprehensive review of Ministerial remuneration, to cover recommendations on appropriate levels of and future arrangements for determining Ministerial salaries,

/and arrangements

and arrangements for determining Ministerial pensions; their particular attention could be drawn to the specific issues which I have mentioned in this letter and any other issues which need to be looked at.

I should be grateful to know your views.

Yours ever

Robert Armstrong

Ref. A087/2057

PRIME MINISTER

Salary of the Solicitor General for Scotland

You asked for my advice on this following the Lord Advocate's minute of 19 June.

2. The Solicitor General for Scotland is paid £24,085. If he was still an MP, the reduced Parliamentary salary of £13,875 would bring his total remuneration from public funds up to £37,960, more than the Lord Advocate, whose present salary is £36,460. The Solicitor General for Scotland is the senior Advocate Depute in the Crown Office for Scotland. The next is the Home Advocate Depute, who receives £28,975 a year. Other Advocates Depute receive £27,065.

3. I attach a table which compares the salaries of the Lord Advocate and the Solicitor General for Scotland since 1964. These figures exclude Parliamentary salary, which different office holders have drawn at different times: the Solicitor General for Scotland was not a Member of the House of Commons for most of the period from 1964 to 1979 but he was, of course, from 1979 to 1987; the Lord Advocate, on the other hand, was a Member of the House of Commons from 1970 to 1979, but has since 1979 been a Member of the House of Lords. The ratio of the two Ministerial salaries has been reasonably constant, save for some improvement of the Lord Advocate's position since the 1982 decision to improve Lords Ministerial salaries in the light of the higher Parliamentary salaries for Commons Ministers.

4. I could not recommend you to go as far as the Lord Advocate suggests and compensate the Solicitor General for Scotland in full

for the loss of his Parliamentary salary. This would be a complete break with past practice. Nor could it be justified on merits: the Ministerial Parliamentary salary is paid because of a Member's constituency duties, which the Solicitor General for Scotland does not now have.

5. But the present position is clearly anomalous. There is a reasonably good precedent. While the Lord Advocate was a Member of the House of Commons, his salary was linked to that of the (English) Solicitor General. In 1981, however, TSRB recommended that his salary should be raised, in the same way that Lords' Ministers receive higher salaries than their Commons counterparts.

6. The Lord Advocate's current pay lead over the Solicitor General's Ministerial salary is £7,835. It would seem reasonable - and Sir Peter Middleton agrees with me on this - for the Solicitor General for Scotland to receive the same addition, on the grounds that he is now able to spend more time on Crown Office duties. On present salary levels this would bring him up to £31,920, a lead of about £3,000 over the Home Advocate Depute and nearly £5,000 over the other Advocates Depute. The arrangement would, of course, lapse when the Solicitor General for Scotland was next an MP; and it would be subject to review if Ministers decided that the Top Salaries Review Body should undertake a general review of Ministerial remuneration.

7. If this approach commends itself to you, you* may like to --- minute the Lord Advocate accordingly; I attach a draft minute. I shall arrange for the new figure to be incorporated in the new Ministerial Salaries Order, when it is prepared.

RA

ROBERT ARMSTRONG

13 July 1987

* Better, I think, for me to write to the Lord Advocate's Private Secretary.

NCS

MINISTERIAL SALARY OF THE LORD ADVOCATE AND SOLICITOR GENERAL FOR SCOTLAND 1964-87

Year (1 July)	Lord Advocate £	Solicitor General for Scotland £	2 as % of 1 %
1964	5,000	3,750	75
1965-1969	8,000	5,625	70
1970	8,000	5,625	70
1971	8,000	5,625	70
1972	11,000	7,750	70
1973	11,000	7,750	70
1974	11,000	7,750	70
1975	11,000	7,750	70
1976	11,000	8,062	73
1977	11,000	8,270	75
1978	12,100	9,097	75
1979	16,550	13,262	80
1980	20,600	17,150	83
1981	27,875	20,925	75
1982	29,000	21,750	75
1983	30,160	21,877	73
1984	31,730	22,424	71
1985	33,320	22,991	69
1986	34,890	23,538	67
1987	36,460	24,085	66

Alan Maxwell In Confidence

Draft of 13 July

DRAFT MINUTE FROM THE ~~PRIME~~ MINISTER

BAL

~~LORD ADVOCATE~~

The P M has now considered the Lord Advocate's note of

~~Thank you for your~~ minute of 19 June about the Ministerial salary of the Solicitor General for Scotland.

2. So far as ~~I am~~ the PM is aware, no special arrangements were made during the period between 1964 and 1979, for most of which the Solicitor General for Scotland was not a Member of the House of Commons. On the other hand, the Solicitor General's Ministerial salary has deteriorated, as a proportion of the Lord Advocate's salary, since 1981.

3. The PM ~~I~~ thinks that it would be going too far for the Solicitor General for Scotland, when he is not a Member of Parliament, to be paid the same as he would be paid if he were. After all, he is not a Member of Parliament and does not have the constituency duties and expenses which go with being an MP. ~~I am~~ she is, however, prepared to agree that the Ministerial salary of the Solicitor General for Scotland, when he is not an MP, should be increased

PAYAAC

by the same amount as the Ministerial salary of the Lord Advocate, when he is not a Member of the House of Commons, exceeds that of the Solicitor General (for England and Wales), on the grounds that, when he is not an MP, the Solicitor General for Scotland is able to spend more time on Crown Office duties.

4. On present salary levels, this would bring the Solicitor General for Scotland up by £7,835 to £31,920, a lead of about £3,000 over the Home Advocate Depute and nearly £5,000 over other Advocates Depute.

5. The PM will give directions accordingly when a new Ministerial Salaries Order is prepared.

6. This arrangement would, of course, lapse if and when the Solicitor General for Scotland was a Member of Parliament; and the salary would be subject to review when other Ministerial salaries were being reviewed.

cc BC

PRIME MINISTER

MPs' and Ministers' Pay

file with NLCO

I have seen a copy of Nigel Lawson's minute of 9 July in which he sets out revised options for pay for Commons Ministers. We agreed that I should let you have my proposals for Lords Ministers in the light of these revised options.

2. I should make clear at the outset that I entirely accept that it is right there should be a differential to reflect Commons Ministers' constituency work but I would not want the impression to take root that the job of a Lords Minister is just the same as that of a Commons Minister but without the constituency work. The jobs are different. Lords junior Ministers handle a wider portfolio than their Commons counterparts covering not only the whole of their department's responsibilities but also often that of other departments as well. This requires quite a lot of preparation and briefing particularly where Bills are involved.

3. While I therefore accept a Commons/Lords differential I could not accept the widening of the differential which would have been a consequence of the Chancellor's earlier proposals. It would be a serious blow to the morale of Lords junior Ministers and give them a sense of being undervalued in the work they do. Such an unequal award could be defended logically only if it were possible to show that the increase in value of a Commons Minister's duties as a constituency MP was disproportionately greater than the increase in value of his duties as a Minister. But we know this not to be the case. The increase in the Parliamentary salary is wholly the result of the self-awarded linkage to the Senior Principal scale of MPs' pay and it has nothing to

do with any enhanced merit or increased industriousness on the part of Commons Ministers vis a vis Lords Ministers. There is no excuse therefore for allowing differentials between Ministers' pay in the two Houses to be eroded in this way.

4. Widening differentials can only be avoided by treating Lords Ministers' pay separately from the Ministerial element in Commons Ministers' pay. This already occurs to the extent that a Lords Minister's salary is higher than the Ministerial element in a Commons Minister's salary to compensate for the lack of a Parliamentary salary. The Government itself decided this in 1981 for all Lords Ministers outside the Cabinet. Justification for a Lords Ministerial salary higher than a Commons Ministerial salary was confirmed by TSRB in 1983. It would be perfectly consistent with previous practice therefore for the Government now to use their discretion in this area to increase the Lords Ministerial salary differentially.

5. Using the Chancellor's revised proposals I would like to offer two options for ways in which this might be done. The first would be to apply the cash increase of £4028 proposed in the Chancellor's option 1 straight across the Government to Lords Ministers and Whips as well as to those in the Commons. This would be fair to the extent that it would treat everyone alike. It also has the attraction of simplicity. It would favour the junior Ministers in both Houses which is what we want to do. It would improve the relative position of Lords Ministers by narrowing the present gap but only marginally and therefore should not give Commons Ministers cause for complaint. The result would be as follows:

Ministers in Commons	Present	Present + £4048	% increase
Cabinet Minister	47020	51068	8.6
Minister of State	36750	40798	11.0
Parliamentary Secretary	30760	34808	13.2

Ministers in Lords	Present	Present + £4048	% increase
Cabinet Minister	36390	40438	11.1
Minister of State	30640	34688	13.2
Parliamentary Secretary	24640	28688	16.4

6. An alternative to this option would be to preserve the existing differentials between Lords and Commons Ministers by simply raising Lords salaries by the amount necessary to do so. The effects of this are illustrated in the attached annex.

7. Whichever of these options we choose, I hope that as far as the future is concerned we can agree that whatever decisions are taken on Commons Ministers' pay we will act on Lords Ministers pay in such a way that the differentials are preserved.

8. I am sending a copy of this minute to the Chancellor of the Exchequer, the Lord Privy Seal, the Chief Whip and Sir Robert Armstrong.

N.L.W.

Signed a Lord President's behalf

ANNEX

Chancellor's Option 1

Ministers in Commons	Present	Present + £4048	% increase
Cabinet Minister	47020	51068	8.6
Minister of State	36750	40798	11.0
Parliamentary Secretary	30760	34808	13.2

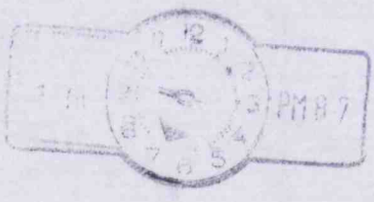
Ministers in Lords	Present	New	% increase
Cabinet Minister	36390	39520	8.6
Minister of State	30640	34010	11.0
Parliamentary Secretary	24640	27892	13.2

Chancellor's Option 2

Ministers in Commons	Present	New	% increase
Cabinet Minister	47020	50056	6.5
Minister of State	36750	40472	10.1
Parliamentary Secretary	30760	34808	13.2

Ministers in Lords	Present	New	% increase
Cabinet Minister	36390	38755	6.5
Minister of State	30640	33735	10.1
Parliamentary Secretary	24640	27498	13.2

PARL MEMBERS
MP's Pay Pt 6



MR 1/12

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

PRIME MINISTER

MPs' AND MINISTERS' PAY

I undertook to prepare some new options on Ministerial pay, paying particular attention to the relationship between Members' pay and that of Parliamentary Secretaries.

The simplest option would be to preserve existing cash differentials between MPs and Commons Ministers. Thus all Ministers in the Commons would get an increase of £4,048 on 1 January 1988, the same cash amount as MPs will receive from the formula. Ministers woud get £3,036 of this from the consequential increase in their Parliamentary salaries and the remaining £1,012 from an increase in their Ministerial salaries. This means that Parliamentary Secretaries would get an increase of 13.2 per cent in their overall salary, Ministers of State 11.0 per cent and Cabinet Ministers 8.6 per cent. The increases in the Ministerial components of their salaries would be 6.0 per cent, 4.4 per cent and 3.1 per cent respectively.

An alternative option would be to preserve the cash differential between MPs pay and that of Parliamentary Secretaries but to allow the differentials to be eroded so far as Ministers of State and Cabinet Ministers are concerned. Thus under this option Parliamentary Secretaries would still receive a £1,012 (6 per cent) increase in their Ministerial salary to give them the same overall cash increase as MPs; but Ministers of State would get only a 3 per cent increase in that Ministerial pay, making an increase of 10.1 per cent overall; and Cabinet Ministers would get no increase at all in their Ministerial salaries, cutting back their overall increase in pay to 6.5 per cent.

I attach two tables setting out the options in detail. The first option has the advantage of simplicity, and in my view gives defensible results.

CONFIDENTIAL

The tables cover the salaries payable on 1 January 1988 only. We also need to consider future years. MPs will have their link, which will mean increases every January in line with increases in the previous year received by the civil service linked grade. I believe it would be sensible for us to announce that, for the rest of this Parliament, the presumption will be that Ministers' pay will be increased on 1 January each year by the same percentage amount as MPs'. We cannot actually implement this in the Ministerial Salaries Order because the legislation only provides for actual cash salaries to be changed by Order: it does not allow for the setting of Ministerial salaries in relation to movements in other salaries. As a result we shall still need annual Salary Orders for Ministers which will, of course, be subject to the Affirmative Resolution procedure. However, if we announce now what our policy will be for the rest of this Parliament, the subsequent Ministerial Salary Orders should be less controversial.

Now attended We agreed that the Lord President would be letting you have his proposals for the pay of Ministers in the Lords in the light of what we decide to do for Ministers in the Commons.

I am copying this minute to the Lord President, the Lord Privy Seal, and the Chief Whip and to Sir Robert Armstrong.

ACS Allan

PP **N.L.**
9 July 1987

(approved by the Chancellor and signed in his absence).

OPTION 1

Maintain existing cash differentials between MPs and all Ministers in the House of Commons

Salaries at 1 January 1988

	Parliamentary Secretary	Minister of State	Cabinet Minister
Existing Salary (£)	30,760	36,750	47,020
Cash increase in:			
(a) Ministerial salary	1,012	1,012	1,012
(b) Total salary	4,048	4,048	4,048
Percentage increases in:			
(a) Ministerial salary	6.0	4.4	3.1
(b) Total salary	13.2	11.0	8.6
New Salary (£)	34,808	40,798	51,068

Note Ministers' Parliamentary salary of £13,875 will increase to £16,911 (ie by £3,036) on 1 January 1988.

OPTION 2

Maintain existing cash differentials between MPs and Parliamentary Secretaries in House of Commons. No increase in Ministerial salaries for cabinet Ministers. Increase Ministerial salaries of Ministers of State by half as much as Parliamentary Secretaries.

Salaries at 1 January 1988

	Parliamentary Secretary	Minister of State	Cabinet Minister
Existing salary (£)	30,760	36,750	47,020
Cash increase in:			
(a) Ministerial salary	1,012	686	nil
(b) Total salary	4,048	3,722	3,036
Percentage increases in:			
(a) Ministerial salary	6.0	3.0	nil
(b) Total salary	13.2	10.1	6.5
New salary (£)	34,808	40,472	50,056

4048

Note Ministers' Parliamentary salary of £13,875 will increase to £16,911 (ie by £3,036) on 1 January 1988.

3036.

RA7.25 CONFIDENTIAL Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

PRIME MINISTER

MPs' PAY

You asked me for proposals on Ministers' pay and the timing of announcements.

I do not think there can be any question of increasing Ministerial salaries by the same percentage as MPs will receive from the formula. By April 1988 operation of the formula will give MPs a total increase of 28 per cent over their present salary (assuming - arbitrarily - that the comparable Civil Service grade receives a 5 per cent increase on that date). We should distance ourselves from this and, to be convincing, we will need to show that we have been much more moderate with Ministerial pay.

One option would be to give Ministers the full increase on the Parliamentary element of their pay, but to hold the increase in the Ministerial element to 5 per cent from 1 April 1988. As the reduced Parliamentary salary forms a higher percentage of a Parliamentary Secretary's total pay than for other Ministers such a pattern would give Parliamentary Secretaries the highest percentage salary increase overall amongst Ministers. On this basis they would receive an overall increase of 15.4 per cent, Ministers of State 13.7 per cent, and Cabinet Ministers 11.8 per cent. Lords Ministers would all receive a 5 per cent increase.

A more severe approach, but one which would also compress differentials between Commons Ministers, would be to give no increase to the Ministerial salaries received by Commons Ministers. This would reduce the increases to 12.6 per cent

for Parliamentary Secretaries, 10.6 per cent for Ministers of State and 8.3 per cent for Cabinet Ministers. Lords Ministers would again receive 5 per cent.

The percentage increases that each Minister would receive in April 1988 under the two approaches are set out in Table 1. It would be for consideration whether to table an Order for Ministerial salaries for April 1988 only or whether to cover them for the remainder of this Parliament.

For purposes of comparison I have also included a staging option. If staging of MPs' linkage were to prove feasible over 5 years it would make it easier to award 5 per cent increases in Ministerial salaries each year and still keep the overall percentage increases down to a reasonable level. I attach at Table 2 the annual average percentage increases that this would imply over the next five years. As you can see this approach also gives the highest percentage increases for Ministers to Parliamentary Secretaries, the next highest to Ministers of State, and the lowest to Cabinet Ministers.

Changes to Ministerial salaries require an Order which is subject to Affirmative Resolution in both Houses. Although we do not have to debate this Order at the same time as MPs' pay is debated it is long established practice for the Commons to discuss MPs' and Ministers' pay together, and I see no advantage in departing from this practice. I would suggest that we aim to table an Order on Ministerial pay in time for it to be debated in the Commons at the same time as MPs' pay, and for it to go through the Lords before the Summer Recess.

John Wakeham will be announcing our decision about MPs' salaries at Business Questions tomorrow. If asked about Ministers' pay he will simply say that this is under consideration. But once we have made up our minds I think

CONFIDENTIAL

that we should publish our decision and table the necessary Order as soon as possible.

I am copying this minute to the Lord President, the Lord Privy Seal, the Chief Whip and to Sir Robert Armstrong.

pp N.L.
8 July 1987
(approved by the Chancellor & signed in his absence)

OPTION A

NO STAGING

	VARIANT 1	**VARIANT 2**
	Increase from 1.4.88 over present levels assuming:	Increase from 1.4.88 over present levels assuming:
	1. MPs get 21.8% on 1.1.88 5% on 1.4.88	1. MPs get 21.88% on 1.1.88 5% on 1.4.88
	2. Ministers in Commons get	2. Ministers in Commons get
	a) on reduced Parliamentary salary 21.88% on 1.1.88 5% on 1.4.88	a) on reduced Parliamentary salary 21.88% on 1.1.88 5% on 1.4.88
	plus	plus
	b) on Ministerial salary 5% on 1.4.88	b) on Ministerial salary 0% on 1.4.88
	3. Ministers in Lords get 5% on 1.4.88	3. Ministers in Lords get 5% on 1.4.88
MPs	27.97%	27.97%
Ministers in Commons		
Cabinet Minister	11.78%	8.25%
Minister of State	13.67%	10.56%
Parliamentary Secretary	15.36%	12.62%
Ministers in Lords		
Cabinet Minister	5.00%	5.00%
Minister of State	5.00%	5.00%
Parliamentary Secretary	5.00%	5.00%

OPTION B **STAGING OVER 5 YEARS**

(MPs linkage to Senior Principal is phased over 5 years from 1 April 1988 to 1 April 1992. Assumes 5% updating increases in addition each year. The same treatment is given to reduced Parliamentary salaries of Ministers in the Commons. Ministerial salaries are increased by 5% each year.)

	Annual average percentage increases 1.4.88 - 1.4.92
MPs	9.24%
Ministers in Commons	
Cabinet Minister	6.32%
Minister of State	6.68%
Parliamentary Secretary	6.99%
Ministers in Lords	
Cabinet Minister	5.00%
Minister of State	5.00%
Parliamentary Secretary	5.00%

MFA. pa

Discussed with PM.

CONFIDENTIAL

Prime Minister 2

This has been overtaken by good discussion with the Chancellor and good request for an options paper.

N.C.U 7.7

PRIME MINISTER

LORD PRIVY SEAL

MINISTERS' AND MPs' PAY

We spoke yesterday morning about how an increase in MPs' pay might affect Ministerial salaries. In 1983 we laid a draft Order increasing Ministerial salaries in the light of the House's decision of 19 July to accept annual increases of around 5% until the linkage with the Civil Service scale came into effect on 1 January 1988. The first annual increase for Members was 5.5%. Our proposals gave Ministers a first annual increase just below that, in the range between 4% for Cabinet Ministers and 5.4% for Parliamentary Under Secretaries of State and Assistant Whips. The annual percentage increases thereafter for Ministers, up to and including 1 January 1987, were then the same as for Members. The draft Order was approved by the House after a short debate and without a division.

If the resolution of July 1983 linking Members' pay with 89% of the maximum of the Grade 6 scale is accepted, and a 21.88% increase is similarly accepted for Ministers' salaries, the new salaries would be as set out in the attached table. After this initial rise, the linkage would mean that percentage increases in Members' pay would automatically be the same as for the relevant point on the Civil Service pay scale - perhaps 4-5% annually.

If we wished to maintain the differentials between Members' and Ministers' pay we could do so only by putting a draft Ministerial and Other Salaries Order to the House each year, since we would not know in advance what Members' annual increase would be. We are not, of course, committed to raising Ministerial salaries in line with Members' pay: in each year it would be for the Government to decide what increase, if any, would be appropriate. Setting Ministerial salaries annually does have the disadvantage that it brings the issue into the public eye more frequently, but I believe that that is preferable to assuming now the level of future annual increases for Members over the lifetime of this Parliament and reaching decisions on Ministers' pay in the light of those assumptions.

The table also shows how the new Ministerial salaries might be expressed in terms of a link with the maxima in various Civil Service grades. I am sure it would be right to take the Chancellor's mind on this before going any further than this preliminary note and considering further the possibility of automatic linkage. I am advised that primary legislation would be required, in any event, before such a linkage could be made. Nonetheless we can, of course, have the relationship between Ministers' and senior civil servants' salaries in mind in determining their future levels.

CONFIDENTIAL

You raised also the question of pensions payable to the Lord Chancellor, the Prime Minister and the Speaker under Part II of the Parliamentary and Other Pensions Act 1972. These provisions followed recommendations by the Top Salaries Review Body in 1971, which in turn reflected long-standing arrangements. There were minor and technical changes to them in 1982, but they have not been the subject of a further review by the TSRB. We could certainly consider including these arrangements when we refer the Parliamentary Pension Scheme to the TSRB for consideration, which I hope to do before the end of the month.

I am copying this minute to Willie Whitelaw, David Waddington and Sir Robert Armstrong.

JW

7 July 1987

MINISTERIAL SALARIES

	Present salary	Present salary increased by 21.88%	Increased salary expressed as percentage related to Civil Service pay scales at 1.1.88
Prime Minister	£58,650	£71,483	110% of Grade 1 maximum (Permanent Secretary)
Cabinet Minister (Commons)	£47,020	£57,308	126% of Grade 2 maximum (Deputy Secretary)
Cabinet Minister (Lords)	£36,390	£44,352	97% of Grade 2 maximum
Minister of State (Commons)	£36,750	£44,791	121% of Grade 3 maximum (Assistant Under-Secretary)
Minister of State (Lords)	£30,640	£37,344	101% of Grade 3 maximum
Parliamentary Under-Secretary of State (Commons)	£30,760	£37,490	148% of Grade 6 maximum (Senior Principal)
Parliamentary Under-Secretary of State (Lords)	£24,640	£30,031	118% of Grade 6 maximum

Salaries for House of Commons Ministers include their reduced Parliamentary pay which would rise from £13,875 to £16,911. Civil Service maxima are the basic maxima for the scales and do not include performance-related pay.

CONFIDENTIAL

SUBJECT
● remote

File DA

bce BI
AH

Meeting Record

10 DOWNING STREET

From the Principal Private Secretary

7 July 1987

Dear Alex,

MPs PAY

The Prime Minister discussed this evening the next steps on MPs pay with the Chancellor of the Exchequer.

The Prime Minister said that there was no prospect of achieving the House's acceptance to further phasing of increases in MPs pay. She believed that the Government should table a resolution which gave effect to the arrangements in the resolution agreed in 1983. It would be important for the resolution to be drafted so that MPs were not eligible for the merit payment now available to certain Senior Principals. The Chancellor did not dissent from the Prime Minister's view.

The Prime Minister believed that it was important to communicate the Government's decision to the House of Commons on Thursday before the meeting of the 1922 Executive Committee. This could perhaps be done by the Lord Privy Seal during Business Questions. She would be grateful if the Lord Privy Seal, to whose Private Secretary I am copying this letter, could take the necessary action. The Lord Privy Seal would no doubt alert the Chairman of the 1922 Committee to what the Government intended.

The Prime Minister said that this decision on MPs pay would have consequences for Ministers' pay. She would be grateful if the Chancellor of the Exchequer could let her have urgently a paper on the various options available for Ministers pay and on the timing of announcements. She believed that Parliamentary Secretaries had particular reason for special consideration. She was not averse to a modicum of squeezing of differentials between MPs and Ministerial salaries. She saw a case for tabling resolutions on Ministers pay at the same time as that on MPs pay.

I am sending a copy of this letter to the Private Secretaries to the Lord President, the Lord Privy Seal and the Chief Whip and to Sir Robert Armstrong.

Yours sincerely,

Nigel Wicks

(N. L. WICKS)

Alex Allan, Esq.,
HM Treasury.

CONFIDENTIAL

SUBJECT to master.

pe

5

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

6 July 1987

Dear Steven,

MPs' PAY

The Prime Minister discussed the next steps on MPs' pay this morning with the Lord Privy Seal and the Chief Whip. The Chairman of the Party was also present.

After some discussion, the Prime Minister said that it was agreed that there was no prospect of achieving the House's acceptance to further phasing of increases in MPs' pay. Subject to the view of the Chancellor of the Exchequer, the Lord Privy Seal should table a resolution which gave effect to the arrangements in the Resolution agreed in 1983. The Resolution should be drafted in a way which made it clear that MPs were not eligible for the merit payment now available to some Senior Principals. Consequences of the increases in MPs' pay for Ministerial salaries in general, and for the relativities between Parliamentary Secretaries and the salaries of Ministers of State in particular, needed further consideration. Before taking any action, the Lord Privy Seal should minute her with full details of future arrangements for MPs' pay, together with an explanation of the consequences for Ministerial salaries.

The Prime Minister also asked that consideration should be given to the arrangements for Ministerial pay generally so that any difficult references to the TSRB could be made early in this Parliament. She would like Sir Robert Armstrong to provide advice on this aspect.

I am copying this letter to Mike Eland (Lord President's Office), Murdo Maclean (Chief Whip's Office) and Trevor Woolley (Sir Robert Armstrong's Office).

Yours sincerely

Nigel Wicks

N. L. Wicks

Steven Wood, Esq.,
Lord Privy Seal's Office.

ECL

10 DOWNING STREET

PRIME MINISTER

Besides the usual discussion of the week's business, I suggest that you discuss MPs' pay, on which a resolution has to be tabled by the Recess.

see also letter below from Dr Owen.

N.L.W

N.L. WICKS
3 July 1987

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2384/1 (one piece/item number)	Date and sign
Extract/Item details: letter dated 3 July 1987 minute dated 3 July 1987	
CLOSED FOR 60 YEARS UNDER FOI EXEMPTION 37(1)	30/06/16
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
MISSING	
NUMBER NOT USED	

Instructions for completion of Dummy Card

Use **Black Pen** to complete form

Use the card for one piece/item number only

Enter the Department, Series and Piece/Item references clearly e.g.

DEPARTMENT/SERIES .....*GRA 168*..... PIECE/ITEM .....*49*..... (ONE PIECE/ITEM NUMBER ONLY)

Please Sign and Date in the box adjacent to the description that applies to the document being replaced by the Dummy Card

If the document is Closed under a FOI exemption, enter the number of years closed. See the TNA guidance *Preparation of records for transfer to The National Archives*, section 18.2

The box described as 'Missing' is for TNA use only (it will apply to a document that is not in its proper place after it has been transferred to TNA)

1. Mr Hamilton Has seen to see PMs comments
2. ACF pa. N.L.W.

CCBI

PRIME MINISTER

2.7 discuss the matter with Crawley to find out what backbenchers are ~~thinking~~ thinking. Then we can decide. Personally I feel there is little or no hope of phasing the increase for a second time. MT

MPs PAY

There needs to be a vote before the Recess on MPs pay (because of the stipulation in the 1983 Resolution that that Resolution would not have effect unless approved by a Resolution of the House during the first three months of each Parliament).

Told LPS of PMs reaction: to be raised at next Monday meeting of colleagues NLW.

The Lord Privy Seal is thinking about tactics, and would welcome your view.

The background is the 1983 Resolution, the effect of which, if the old Parliament had not been dissolved, would have been to increase MPs pay from the present £18,500 to around £22,500, some 22 per cent increase. The £22,500 is derived from "the 89 per cent of a Senior Principal's pay formula" of the 1983 Resolution. You will recall that Ministers, including yourself, voted for this Resolution; not because you favoured it - you had earlier voted unsuccessfully against the amendment from which the formula was derived - but because if the Resolution had been lost, there was a Labour Resolution on the Order Paper which would have given MPs an even larger pay increase.

Against this background, the Lord Privy Seal is considering the following possibility:

> He would table a Resolution giving effect to the 1983 Resolution; i.e. linking MPs pay to 89 per cent of the Senior Principal maximum, giving the rise to £22,500 on 1 January 1988. At the same time he would seek to persuade senior officials of the 1922 Committee to table an amendment, with backbench support, which would phase the move to the 89 per cent of the Senior Principal maximum over four years. So each year MPs would receive a pay increase of 5½ per cent, plus whatever increase was agreed for Senior Principals for that year. The outcome would be that by the end of the Parliament the Senior Principals formula would be fully operative. Ministers

would, in the event, vote for the Amendment, not the Lord Privy Seal's resolution.

The Lord Privy Seal does not know whether the amendment would be carried. Certainly, there can be no hint of it from the 1922 Committee officials (Mr. Onslow and Sir Marcus Fox) until they are re-elected. The Lord Privy Seal believes that if the Government were to table the amendment directly, it would be lost, with the risk that MPs would vote themselves an even higher pay increase from 1 January 1988 than that envisaged in the 1983 Resolution.

The stratagem which the Lord Privy Seal is considering looks too clever by half. Ministers would effectively be voting against their own Resolution. Confusion would result. In such circumstances, it must be highly unlikely that, even with senior 1922 Committee and Ministerial support, the amendment would succeed. It seems to me that the Government have two options:

(i) tabling a Resolution which gives effect to the 1983 Resolution; or

(ii) a Resolution which phases the move to the Senior Principal's salary over a period of years.

You may think that (ii) is the right course, even if the Government were to lose the vote. In such circumstances the House might back a Resolution giving even larger increases than 22 per cent. But would that matter if the Government were on the record in opposing the increase?

What are your views?

Amanda Ross

pp N. L. Wicks
30 June 1987

DG2BZY

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

SEVERANCE PAYMENTS FOR COMMONS MINISTERS

The Prime Minister has seen your minute of 15 June about the possibility of introducing a system of severance payments for Members of the House of Commons who cease to hold salaried office.

The Prime Minister agrees that you should ask the TSRB, as you suggest in paragraph 18, to consider and recommend whether a system of severance payments should be introduced for Members of the House of Commons who cease to hold a relevant office. (On a matter of tiny detail, you might wish to consider the application of the arrangements described in your minute to a Minister who is neither a member of the House of Lords nor a Member of the House of Commons. The present Scottish Solicitor General is an obvious case in point. It would seem a little hard to disqualify a Minister in his position from benefits of a severance payments scheme.)

I am sending a copy of this minute to the Private Secretaries of the Lord President, Chancellor of the Exchequer and Lord Privy Seal.

N. L. WICKS

22 June 1987

CONFIDENTIAL

FLE
DA

10 DOWNING STREET

From the Principal Private Secretary

MR. WOOLLEY
CABINET OFFICE

SOLICITOR GENERAL FOR SCOTLAND - MINISTERIAL SALARY

I should be grateful for your advice on how the Prime Minister might respond to the minute below from the Lord Advocate regarding the Ministerial salary of the Solicitor General for Scotland.

(N.L. WICKS)

22 June 1987

JC

010

THE LORD ADVOCATE

PRIME MINISTER

SOLICITOR GENERAL FOR SCOTLAND - MINISTERIAL SALARY

Ministerial salaries are currently under review as a consequence of the exercise to link MPs' salaries to Civil Service Grades.

You will be aware of the Solicitor General's position following the General Election. I am of the view that special arrangements require to be made so that when Ministerial Salaries are revised, the Solicitor General receives, broadly, the same income as he enjoyed as an MP and a Law Officer. Any such arrangement would, of course, only apply to a Solicitor General without a seat in the House.

It is certainly illogical that under present circumstances the Solicitor General who holds my Commission as an Advocate Depute will receive substantially less in remuneration than any other Advocate Depute.

GJL.

CAMERON OF LOCHBROOM

19 June 1987

CONFIDENTIAL

Prime Minister
Agree that the TSRB should be awarded as recommended in § 18? The other Ministers have no comments.
N.L.W. 19.6

Ref. A087/1626

PRIME MINISTER

Severance Payments for Commons Ministers

This note discusses the possibility of introducing a system of severance payments for members of the House of Commons who cease to hold a salaried office. (Members of the House of Lords who cease to hold such an office are already entitled, subject to certain conditions, to a severance payment of one-quarter of annual salary.)

The Present Position

2. Severance payments for members of the House of Lords who cease to hold a relevant office were introduced by Section 13 of the Parliamentary Pensions etc Act 1984, following the Top Salaries Review Body (TSRB) Report No 20 of May 1983. The case for severance payments for members of the House of Lords rested on the fact that they have no parliamentary salary to fall back on, and no equivalent to the system of resettlement grants for Members of Parliament who leave their seats at a General Election. (These were first introduced following a TSRB recommendation in 1971.)

3. Members of the House of Commons who cease to hold a relevant office may also face an abrupt change in income. They will be entitled to receive a full parliamentary salary, currently £18,500 pa, in place of the reduced salary of £13,875 pa paid to members who also hold Ministerial Office. This increase (£4,625 pa) is equivalent in pre-tax terms to about 27 per cent of the lost Ministerial salary of a Parliamentary Secretary in the Commons (currently £16,885 pa), 20 per cent in

the case of a Minister of State (£22,875) and 14 per cent in the case of a Secretary of State in the Commons (currently £33,145). The resettlement assistance available to Members of Parliament who leave their seats at a General Election currently represents six to twelve months' parliamentary salary (depending on age and length of service); but there is no additional element where a Ministerial salary has also been lost.

Possible Severance Pay Arrangements

4. If it were decided to introduce a scheme of severance pay for members of the House of Commons who cease to hold salaried offices, it would be necessary to consider:

i. the conditions for eligibility for severance pay;

ii. the amount of severance pay to be granted;

iii. the scope of the scheme - which offices should qualify their holders for severance pay; and

iv. the means of implementing the scheme.

Conditions

5. A member of the House of Lords who ceases to hold a relevant office is entitled to severance pay under Section 13 of the Parliamentary Pensions etc Act 1984 if he has:

a. not yet attained the age of 65;

b. held one or more relevant offices throughout the previous two years;

c. not been reappointed to a relevant office within the following three (in most cases) weeks; and

d. not ceased to hold office on his death.

All these conditions would seem equally suitable for a scheme applying to members of the House of Commons.

6. At present there is also a condition in the Lords Scheme that the individual has not been a member of the House of Commons during the previous two years. This condition would clearly not be appropriate for a scheme relating to Commons members, and Parliamentary Counsel advises that, in the event of such a scheme being introduced, this condition would also be removed from the Lords scheme. (This seems desirable to avoid any potential anomaly where an office holder in the Commons is appointed an office holder in the Lords, then ceases to hold office within two years of entering the Lords.)

Amount

7. The existing scheme for members of the House of Lords who cease to hold a relevant office produce severance payments equal in amount to three months salary at the rate applicable immediately prior to the loss of office. A simple approach would be to replicate this in any scheme for members of the House of Commons who cease to hold a relevant office.

8. However, this would overlook a difference between the two Houses. For Lords members who cease to hold relevant office, the transition is from receipt of a salary to no salary. For Commons members who cease to hold relevant office, the transition is from a higher to a lower salary. In particular, on ceasing to hold office the Commons member's reduced parliamentary salary rises by some £4,625 pa to the full parliamentary salary. This element would be "double counted" if the severance payment were equal to three months of the full Ministerial or other salary received immediately prior to loss of office: for the three months following loss of office the

member would be better off by £4,625 pa (ignoring taxation effects) than if he had continued in his office.

9. The result would be more generous provision for Commons members who cease to hold relevant office than for Lords members who cease to hold relevant office. Unless some justification is seen for according more favourable treatment to the former group, the better approach would appear to be that the common basis of both schemes should be to maintain overall salary income at the level immediately preceding loss of office for a three month period. This could be achieved for Commons members who cease to hold a relevant office in either of two possible ways:

i. base severance payment on the full Ministerial or other salary received, but reduce the period to something less than three months to reflect eligibility to the full parliamentary salary; or

i. retain the three month period, but deduct from the full Ministerial or other salary the difference between the reduced parliamentary salary received when in office and the full parliamentary salary payable on ceasing to hold office.

The first approach would be rough and ready, and whatever period less than three months was initially selected might over time cease to be an accurate relfection of the difference between the full and reduced parliamentary salaries. The second approach would more clearly put the scheme on a consistent basis with the existing Lords scheme and would seem more straightforward in relation to the taxation implication.

10. A further point is whether the amount of severance pay should be affected by any entitlement to pension. Under the Parliamentary and Other Pensions Act 1972, a Prime Minister,

Speaker or Lord Chancellor who ceases to hold office almost invariably becomes entitled to an immediate pension, irrespective of age. This entitlement does not affect the Lord Chancellor's entitlement to severance pay under the existing House of Lords Scheme, and consistency suggests that in any Commons scheme pension entitlement should similarly not affect the entitlement to severance pay of a Prime Minister or Speaker who ceases to hold office. (An alternative would be to provide that none of these three offices should carry eligibility for severance pay, on the argument that the entitlement to an immediate pension irrespective of age avoids any hardship. But this would place the Lord Chancellor in a worse position than at present.)

11. Under the 1972 Act there is also an option whereby holders of Ministerial office in the Commons may elect to make pension contributions from that part of their salary which exceeds the Parliamentary salary of a backbench MP. If they do so they earn a correspondingly increased pension entitlement. It is for consideration whether any such increased pension entitlement should be taken into account in determining the amount of severance pay. Two arguments suggest that it should not:

i. there would be little overlap between the severance and pensions schemes: a condition of eligibility for severance pay would be that the member had not yet attained the age of 65, whereas full Parliamentary pension is payable only when the age of 65 has been attained. (There is an option to apply for a pension between the ages of 60 and 65, but in that case the amount of pension is actuarially reduced.);

ii. increased pension entitlement is something a member has paid for by voluntarily electing to make increased

GELAAJ

pension contributions. It would seem invidious if those who chose to do this were penalised by receiving less severance pay than those who did not so elect.

Scope

12. The existing scheme for members of the House of Lords who cease to hold a relevant office applies not only to Government Ministers and Whips who receive a salary under the Ministerial and Other Salaries Act 1975, but also to

i. Opposition offices in respect of which a salary is payable under the Ministerial and Other Salaries Act 1975 - Leader of the Opposition in the House of Lords and Chief Opposition Whip in the House of Lords; and

ii. the office of Chairman of Committees of the House of Lords, and any office of Deputy Chairman of Committees in respect of which a salary is payable out of money provided by Parliament.

13. If severance pay were introduced for office holders in the Commons, consistency would suggest that the scheme should extend beyond salaried Government Ministers and Whips to a broadly similar extent. This might involve

i. for Opposition offices, the four offices in respect of which a salary is payable under the 1975 Act - Leader of the Opposition in the House of Commons, Chief Opposition Whip and up to two Assistant Opposition Whips; and

ii. in respect of offices associated with the House itself, the Speaker (who receives a salary under the 1975 Act), plus the Chairman of Ways and Means and the First and Second Deputy Chairmen of Ways and Means (who receive salaries out of money provided by Parliament).

GELAAJ

Implementation

14. Parliamentary Counsel advises that legislation would be required to introduce a system of severance pay for members of the House of Commons who cease to hold relevant office. It seems likely that any legislation required should be relatively brief - no more than two or three clauses.

Costs

15. The costs of a system of severance pay for members of the House of Commons who cease to hold a relevant office will depend on the future incidence of loss of office. During the life of a Government it seems likely that costs will generally be modest: the following indicates for illustrative purposes the severance pay to which individual holders of three major categories of office would be entitled if they had completed two years' service and if the scheme operated as proposed above:

Office	Severance Pay (£)
Secretary of State	7,130
Minister of State not in Cabinet	4,563
Parliamentary Secretary	3,065

16. However, the main cost of a scheme would be incurred at the point where a Government leaves office en bloc and the new Government is formed from members of another political party: a large number of Commons members will then be leaving relevant Government office all at once, and at most only a few would continue to hold relevant office as one of the salaried Opposition office holders, Speaker or a Chairman of Ways and Means. Again, the precise cost in this event will depend on the details of the case. An illustrative estimate, based on a number of assumptions, indicates that the total cost of severance pay to members of the House of Commons ceasing to hold

relevant office in such an event might fall in the range of £325 - £375,000.

17. Before bringing forward legislation, it would be right to refer the matter to the Top Salaries Reivew Body (TSRB) for advice. An opportunity to do so will arise in the near future if the Government decides to act on a proposal by the former Lord Privy Seal during the passage of the Parliamentary and Other Pensions Act 1987 that certain anomalies in the Parliamentary Pensions Scheme and resettlement grants should be referred to the TSRB after a General Election. Thereafter it might also be appropriate, before presenting a formal proposal to the House, to arrange discussions through the usual channels, given that the Opposition parties as well as the Government have an interest in the offices mentioned in paragraph 13. It cannot of course be guaranteed that the TSRB would recommend in favour. Having advocated a severance payment to Lords Ministers because they were not entitled to either a resettlement grant or a Parliamentary salary on loss of office, there may be an implication that they considered the arrangements for providing Commons Ministers with a fallback income or payment to be already satisfactory. It would be reasonable to ask the TSRB explicitly to consider and recommend on the matter.

Recommendations

18. I recommend that the TSRB should be asked to consider and recommend whether a system of severance payments should be introduced for members of the House of Commons who cease to hold a relevant office. The specific proposal which might be put for consideration by the TSRB might be as follows:

i. the conditions for eligibility for severance payment should be the same as those established for the Lords scheme by Section 13 of the 1984 Act, except for the condition relating to membership of the House of Commons;

ii. the amount of severance pay should equal three months salary at the rate payable immediately prior to loss of office, less the difference between the reduced parliamentary salary received while in office and the full parliamentary salary received following loss of office;

iii. in addition to salaried Government Ministers and Whips, the scheme should extend to the four salaried Opposition offices in the Commons and to the Speaker, the Chairman of Ways and Means and his First and Second Deputy Chairmen, subject to discussions through the usual channels.

19. I am sending copies of this minute to the Lord President, the Chancellor of the Exchequer and the Lord Privy Seal.

ROBERT ARMSTRONG

15 June 1987

GELAAJ

CCPS

CONFIDENTIAL

MINISTER OF STATE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Biffen MP
Lord Privy Seal
68 Whitehall
LONDON SW1A 2AT

Prime Minister 2

1 May 1987

DCV 1/5.

Dear Lord Privy Seal

— will request if required.

MEMBERS' PAY

In my letter of 23 March dealing with the Members' office, secretarial and expense allowance I touched upon the issue of the link between Members' pay and the maximum of the Civil Service Grade 6 scale. We have concluded that it would be right to make a move on Grade 6 pay, consistent with the Prime Minister's remarks on moving towards performance related pay.

We propose to introduce for Grades 6 and 7 a performance point at the top of the scale in the same way as for Grade 5. The point would be available only to those who had been on the maximum of the normal scale for more than one year and who received the appropriate performance markings in their annual staff reports. For Grade 6 we propose a performance point of £1,000 above the normal scale maximum; for Grade 5 we are proposing £1,250 (this has already been offered) and for Grade 7 £800.

A question of interpretation may arise as to whether, under the Resolution of the House, this would become the maximum of the scale and thus the point to which Members' pay was linked. If it were, then the pay of Members would of course be £890 more than otherwise would be the case (89 per cent of £1,000) and the increase on 1 January 1988 would be 26.7 per cent rather than 21.9 per cent. In practice I think it would be difficult to argue that the link should not apply to the new increment.

Subject to your view, I would suggest that we avoid taking this head on. The question of interpretation will only become an issue if there is no General Election before steps had to be taken to promulgate the rate applying from 1 January. If there is an election before then the House has to confirm the Resolution within three months: if the House failed to do so the Resolution

would of course lapse and if any other Resolution was passed no doubt a way can be found to clarify the issue.

For tactical reasons, we now need to move fairly quickly on this and we will need to be able to make a firm offer to the FDA by first thing Wednesday next. I should be grateful, therefore, for any comments by noon next Tuesday.

I have copied this letter to the Prime Minister, Willie Whitelaw, Norman Tebbit and John Wakeham.

Yours sincerely

S P Tucker

PETER BROOKE

(Approved by the Minister of State and signed in his absence)

3048/53/JS

FROM: J M HALLIGAN
DATE: 28 April 1987

PS/LORD PRESIDENT

cc PS/Chancellor
PS/Chief Secretary
PS/Minister of State
Sir P Middleton
Mr F E R Butler
Mr Kemp
Mr Gilhooly
Ms Boys
Mr Dyer
Mrs Wiseman
Mr Woodall
PS/Lord Privy Seal
PS/Chief Whip
Mr Walters
- Govt Whips Office,
House of Lords
Mr Norgrove - No 10

TSRB REPORT ON PARLIAMENTARY ALLOWANCES (REPORT NO 24)

I understand that the Lord President would like to trail publication of this report, which deals with Peers' as well as MPs' secretarial allowances, by way of an arranged PQ. I would suggest the following:

Q To ask the Leader of the House when it is expected that the TSRB report about the Peers' allowance for secretarial costs, postage and certain additional expenses and the secretarial allowance for Ministers and other paid office holders in the House of Lords will be published?

A The Top Salaries Review Body about the secretarial, research and office equipment allowance for MPs and the allowance for Peers' secretarial costs, postage and certain additional expenses and the secretarial allowance for Ministers and other paid office holders in the House of Lords is published today. Copies are now available in the Printed Paper Office. The Government is grateful to members of the

Review Body for their report and the time and care which they have put into its preparation. The Government will consult with the parties concerned and following those consultations will announce decisions on the Report and propose Resolutions, as appropriate, to implement them.

2. Any comments on this draft should be relayed to Mr Walters (219 3131) as soon as possible.

3. I shall submit press briefing on the report later today and briefing for the Lord President's meeting with the other parties as soon as possible.

J.M. Halligan.

J M HALLIGAN

010

cc: BG

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

27 April 1987

Prime Minister 2

This is surely the right way of tackling this report: there is no mileage for the Government in stating its own views from the outset.

DRN 27/4.

Dear David,

TSRB REPORT ON PARLIAMENTARY ALLOWANCES (REPORT NO 24)

As I explained to you over the telephone this morning, in accordance with Cabinet's conclusion the Lord Privy Seal proposes to publish the TSRB Report on Parliamentary allowances on Wednesday 29 April.

He proposes to announce this publication by means of an arranged question for written answer, the text of which is as follows:-

Q. To ask the Lord Privy Seal whether he will publish the Top Salaries Review Body report about Members' secretarial, research and office equipment allowance and whether he will make a statement?

A. The Top Salaries Review Body report about the secretarial, research and office equipment allowance for Members and the allowance for Peers' secretarial costs, postage and certain additional expenses and the secretarial allowance for Ministers and other paid office holders in the House of Lords is published today. Copies are now available in the Vote Office. The Government is grateful to members of the Review Body for their report and the time and care which they have put into its preparation. Some of the recommendations would involve changes in the procedures for handling claims against the allowances which, as the Review Body points out, require consultations with the parties concerned. The Government would welcome the views of Parliament about the recommendations in the Report before announcing firm views. It will announce decisions on the Report and propose Resolutions, as appropriate, to implement them in the light of those consultations.

We are now in touch with the Lord President's office separately about whether any parallel statement in the Lords would be necessary.

I should be grateful to know that you see no problems with the above text.

I am copying this to Mike Eland (Lord President's Office), to Alex Allan (Chancellor of the Exchequer's Office) and to Murdo Maclean (Chief Whip's Office).

Yours,

Steven.

S N WOOD

David Norgrove Esq
10 Downing Street

3047/44/JS

CONFIDENTIAL

24/10

1. MR GILHOOLY not available
2. LORD PRIVY SEAL
   LORD PRESIDENT

FROM: J M HALLIGAN
DATE: 14 April 1987
cc Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Sir P Middleton
Mr F E R Butler
Mr Kemp
Miss Peirson
Ms Boys
Mrs Wiseman
Mr Cropper
Mr Tyrie
Mr Ross Goobey
Mr Maclean - No 12
Mr Walters - Govt Whips Office, H of Lords
Mr Townley - Cabinet Office
Mr Monger - Cabinet Office

TSRB REPORT ON MPs' OFFICE, SECRETARIAL AND RESEARCH ALLOWANCE AND PEERS SECRETARIAL ALLOWANCE (REPORT NO 24)

It is proposed to publish this report, along with the other Review Body reports, on Thursday 23 April. The Government needs to decide its attitude to them. Our advice, in the light of the recommendations and the current state of Parliamentary opinion, is simply to publish the report, say that the Government would welcome Parliament's views on the recommendations, and that it will present proposals in due course. We doubt that the House of Commons would pass any Resolutions altering current arrangements in the present pre-Election atmosphere. And, it is even more doubtful that they would adopt any Resolutions that reduced their allowances. None of the proposals affecting the House of Lords require any immediate action.

TSRB Report

2. The conclusions and recommendations are attached. We comment on them below.

CONFIDENTIAL

HOUSE OF COMMONS

Level of Allowance (Recommendations 74(i)-(iii))

3. TSRB recommends an allowance of £19,500 from 1 April 1987. The 1986-87 allowance is £20,140. Under the terms of the current uprating Resolution it will be automatically increased from 1 April 1987 by the percentage increase in the maximum salary for a Senior Personal Secretary in the civil service receiving Inner London weighting. On the basis of the Government's offer to the civil service (which the relevant union, the CPSA, has rejected) this would produce an increase of 5.77 per cent to a figure of £21,303. This will happen automatically once civil service pay is settled, unless the Resolution is over-ridden. The TSRB implicitly recommends this when it says that the allowance should be frozen at its current level on a mark-time basis until the £19,500 figure (judged appropriate for 1987-88) is uprated beyond £20,140.

4. Ministers have two choices:

a. Accept the TSRB recommendation and say that the Government will bring forward Resolutions to give effect to it. (The amending Resolution would have to be passed before civil service pay is settled to stop the automatic formula being triggered).

b. Publish the report but avoid making a commitment to action at this stage.

5. This is essentially a matter for political judgment. If we avoid an uprating this year we would save about £750,000 (most of which is already provided for in Estimates). Whether this could be carried in the House is another matter. The House voted for £20,140 for 1986-87 in July and it is hard to think why they would now want to reduce this. The TSRB's survey established that 65 per cent of MPs thought the allowance was now at its right level, 16 per cent considered it insufficient still, and only 26 per cent thought it excessive. You will also be aware that there is considerable resentment about the tax treatment of OSRA.

6. We would suggest adopting option (b) and standing ready to table amending Resolutions if, unexpectedly, it appears that the House of Commons is going to be prepared to suspend this year's uprating.

Uprating (Recommendation 74 iv)

7. The TSRB recommends continuing with the present uprating formula. Disappointingly, they reject our suggestions for an RPI or GDP deflator link. As you know, the present link to a particular salary point causes problems and we would like to keep alive the possibility of some technical change at some stage. But, there is always a risk that if we open this up we may end up with a link to private sector secretarial salaries (39 per cent of MPs who returned the questionnaire favoured this). Again our advice is not to express a Government view about this complex issue on publication date and to consider alternatives in the light of subsequent House of Commons opinion.

Good Employment Practice (Recommendation 74v)

8. There are two recommendations, which would involve the Fees Office in some extra work. We will need to discuss this with them, but subject to their views, the recommendations seem sensible and should be adopted.

Accountability (Recommendation 74vi)

9. There are four recommendations here. The first three would require Resolutions and seem sensible, although they do not get to the heart of the accountability issue. The final one, for a strengthening of present informal arrangements, involves extending a little what happens at the moment. It is in line with the recommendation in the Government evidence that this method should be tried first before giving further consideration to more formalised procedure. It will require "usual channel" consultation.

10. The TSRB have not accepted our proposal of a ceiling on payments that may be made to one individual, arguing that it could lead to levelling-up of existing salary levels. We think there is a good case for this despite the TSRB's dismissal. (It is notable that 11 per cent of part-time secretaries receive over £13,000 per year). It is something we could return to in the light of reactions to the Report.

House of Commons Library and "Short Money" (Recommendations 74vii and viii)

11. These are not immediate issues but could have resource consequences for the future. It is important to keep the Government's position reserved.

HOUSE OF LORDS

Allowance Levels (Recommendations ix and x)

12. These proposals are for increases of 10 per cent from 1 August 1987, compared with formula generated increases of 5.77 per cent. The table below compares the effect on the allowances of adopting the TSRB recommendations with the increase that would be generated if the present uprating formula arrangement was left untouched.

	Present (1986-87)	TSRB (1987-88)	Formula (1987-88)
Basic Allowance	£20 per day	£22 per day	£21 per day
Ministers/ Other Office Holders	£2,334 per year	£2,570 per year	£2,469 per year

13. To adopt the TSRB recommendations would therefore require fresh Resolutions of the House. As the year of recalculating these allowances does not start until 1 August there is time to consider this and we advise that the recommendations are simply published without comment. The Lord President will be in a better position to judge the right level after he has discussed the recommendation with the other parties on 30 April and with his own backbenchers.

Our preliminary view is that the Report makes out a good case for these modest increases and the extra cost above the increases that would be generated by the formula is very small (£30,000). Subject to the Lord President's consultations and views we would be happy with the TSRB levels.

Uprating (Recommendation xi)

14. This would follow any changes to the Commons formula. We would not want separate formulas in the Commons and Lords.

Opposition Front-Bench Peers (Recommendation xii)

15. "Short money" will be reviewed again at the start of the next Parliament. The TSRB has made a good case for hypothecating a certain amount of it to the opposition parties in the Lords. At the moment only £39,000 out of £632,000 per year of "Short money" reaches the Lords. However, the recommendation for a separate allocation sufficient to provide 8-10 experienced researchers for the official Opposition seems excessive. It would cost (after taking account of consequentials for other parties) between £180,000 and £225,000 per year and would be on top of whatever increase was agreed in Short money for the Commons. While we would hope to trade-off the costs of a separate allowance for the Lords against the general increase in the next review of Short money it is clear that a separate allowance of this size could considerably increase the overall amount of public money going to political parties. Furthermore provision of 8-10 extra staff seems excessive on merits - we were thinking of a separate Lords allocation of maybe £50,000 or so to the official Opposition party to pay for 3 or 4 people.

16. Action on this recommendation will have to wait for the next Parliament and no commitments need or should be made on it at present. However, the Lord President could take the opportunity of asking the Opposition parties how it could be guaranteed that a separate allocation for the Lords did actually reach them. At the moment the distribution of this expenditure is entirely in the hands of the Opposition parties themselves.

[redacted]tive Back-Bench Peers (Recommendation xiii)

17. Defining an "active" backbench peer would be a nightmare, which is presumably why the TSRB has not attempted to do so and has only recommended that the Leader of the House should invite the House to consider the matter. We need to be careful not to give any indication that the Government accepts the principle of this. We doubt the desirability of such an allowance and are extremely doubtful that a workable definition, that was generally acceptable, could be arrived at.

Further Action

18. Our advice is to publish this TSRB report on 23 April but without expressing any Government views about the recommendations. If the Lord Privy Seal and Lord President agree with this advice I suggest that they send a joint minute to the Prime Minister advising such a course. This should issue before the 22 April meeting of Ministers that has been arranged to discuss this year's Review Body awards. A draft of such a minute is attached for consideration.

J. M. Halligan.

J M HALLIGAN

3047/45/JS

CONFIDENTIAL

DRAFT MINUTE

From: Lord Privy Seal
Lord President of the Council

To: Prime Minister

Copies: [?]

TSRB REPORT NO 24: REVIEW OF PARLIAMENTARY SECRETARIAL ALLOWANCES

We are to discuss the Government response to this report at next Wednesday's meeting.

This part of the discussion need not take long. The recommendations about the MPs' allowance are generally helpful. The TSRB consider that last year's vote took the allowance to an unjustified level. They recommend that it should remain at its present level on a mark-time basis until the figure of £19,500 (which TSRB consider appropriate) is uprated beyond £20,140 (the present level). They recommend, against our advice, continuation of the present arrangements for uprating it according to increases in civil service secretarial salaries. There are some helpful recommendations that would improve employment practise and accountability which need further consideration but seem on the right lines. Finally, the TSRB suggest that the next review of Short money, "should be on the basis of a realistic assessment of need and provide for regular uprating" and that there should be a separate allocation for the Lords.

It is gratifying that the TSRB have endorsed our view that the allowance is excessive and that there is a need for greater

CONFIDENTIAL

accountability. While there is a good chance that the House of Commons could be persuaded to accept the accountability recommendations it is doubtful that they would agree to give up this year's uprating. There must be a danger that we could lose support on the accountability issue if we coupled proposals for tightening up in this area with suspension of the uprating. This points towards taking a neutral position on the recommendations for the moment and waiting to see how the House reacts. In the light of this reaction we can consider what (if any) Resolutions to table.

The small recommended increases in the Lords allowances are acceptable. As the year for calculating Lords allowances does not begin until 1 August we have some time before we need announce our views. The recommendations of a separate allocation of "Short money" to opposition parties in the Lords and an allowance for "active" backbench Peers gives more trouble. While there is a case for separate Short money for the Lords the level proposed (enough to employ 8-10 staff) is at least twice what is appropriate. And, defining an active backbench peer would be a nightmare: it is notable that the TSRB has not even tried. We need to avoid alienating the Opposition leaders in the Lords by immediately rejecting these recommendations but we should get to work quite quickly on lowering their expectations.

The Lord President would therefore propose to tell the Opposition leaders in the Lords that, while the Government is open to suggestions on these points, it is not disposed to support the level of Short money suggested by the TSRB or proceed any further with a special allowance for active backbenchers.

As far as handling is concerned this points to publishing the report at the same time as the other reports but without announcing any Government views about them. We should take the line that the Government is now publishing the report and would welcome the views of Members on the recommendations. In the light of those views the Government will, in due course, bring forward proposals on them. What due course means can be considered later, although we would need to act as soon as civil service secretarial pay is settled if we are to suspend the uprating formula for OSRA.

We invite colleagues to agree to this approach. Copies of this minute to

[LORD PRIVY SEAL]

[LORD PRESIDENT]

CHAPTER 4

CONCLUSIONS AND SUMMARY OF RECOMMENDATIONS AND SUGGESTIONS

Conclusions

72. Our review has been carried out against the background of the Resolution of the House of Commons last July to increase the allowance by 52½ per cent. We have concluded that prior to the increase the allowance had declined substantially in real value since our last review in 1983 and was inadequate to meet the needs of MPs. Our assessment however is that secretarial and other support needs could reasonably be met at a lower level than that resolved by the House, and that the current figure should be more than adequate for at least a further year. Our recommendations about the level of the allowance therefore involve no additional cost. Those relating to accountability and employment practice may involve some new tasks for the Fees Office but should not be significant and should result in offsetting savings. As to the House of Lords, the additional cost of the increase in the level of the allowances we have recommended will depend on the extent to which individuals make use of them, but we estimate that this might be £60,000 in a full year.

73. In the previous Chapters we have considered the various matters referred to us in the terms of reference for this review and also a number of other related questions. It quickly became clear to us that the allowances should not be looked at in isolation. The needs of individual MPs and Peers vary greatly for reasons which we discuss. We are persuaded that much can be done to assist those with the greatest needs, without blanket increases in the allowances, by strengthening the services of the Library and by increasing 'Short money'. Further, we are convinced that for MPs the rapid development of information technology can deliver great benefits particularly in improving links between Westminster and the constituency. Pilot studies are now underway in the House of Commons, and whilst it is too early to predict the outcome, we are in no doubt that developments in this field offer great scope for improving services at affordable cost.

Summary of recommendations and suggestions

74. Our recommendations and suggestions are summarised below.

Members of the House of Commons

(i) **Staff.** As from 1 April 1987 a maximum of £17,000 a year would be appropriate as the notional sum for the cost of staff employed by an MP. (Paragraph 24)

(ii) **Office and equipment.** As from 1 April 1987 a maximum of £2,500 a year would be appropriate as the notional sum for an MP's office and equipment costs. (Paragraph 31)

(iii) **Combined allowance.** The allowance to meet an MP's expenditure on staff and on office and equipment costs should continue to be combined; the maximum allowance, as from 1 April 1987, should be £19,500 consisting notionally of £17,000 for staff and £2,500 for office and equipment costs. In view of the Resolution of the House for the existing allowance of £20,140, we recommend that it should be retained on a mark-time basis until the figure of £19,500, which we consider appropriate, is uprated to a level higher than £20,140. (Paragraph 34)

(iv) **Uprating.** The maximum allowance for an MP's staff and other costs should continue to be uprated annually, starting with effect from 1 April 1988, by the percentage increase in the maximum of the scale for a senior personal secretary in the civil service plus inner London weighting. There should be periodic reviews to examine whether the form and level of the allowance, as well as the method of uprating, continue to be appropriate in the light of changing circumstances. Such a review should be undertaken every four years, the next falling due in 1991. (Paragraph 37)

(v) **Good employment practice.**

(a) The Fees Office should, as a condition of the authorisation of the payment of salary, be given a copy of the written statement of main terms and conditions of employment provided to the employee. Staff not legally entitled to such a statement should be given a simple statement including a job description with details of pay and hours and a copy should similarly be provided to the Fees Office.

(b) The Fees Office with the assistance of ACAS should provide readily comprehensible and up-to-date guidance for MPs on good employment practice. (Paragraph 42)

(vi) **Accountability.**

(a) The allowance should be renamed the 'Office Expenses Allowance'.

(b) The House should consider whether its relevant resolutions should adopt the Inland Revenue criteria for expenditure qualifying for reimbursement which is 'wholly, exclusively and necessarily incurred' in parliamentary duties.

(c) In addition to the recommendation at (v)(a) above, MPs should similarly provide the Fees Office with a copy of any contract relating to services provided by self-employed staff including invoices for agency staff specifying the services provided.

(d) The Chief Whips of the main parties should make informal arrangements under which, exceptionally, the Fees Office could refer to the appropriate Chief Whip any claims over which substantial doubts have arisen which cannot be resolved with the individual Member. (Paragraph 51)

(vii) **House of Commons Library.** As MPs' needs for research assistance grow, the House of Commons' Library service should continue to develop in parallel to enable it to maintain and expand an effective service to Members. (Paragraph 53)

(viii) **'Short money'.** We suggest that a review by the House of Commons into the level of 'Short money', which assists opposition parties in meeting expenses involved in carrying out their parliamentary business, should be on the basis of a realistic assessment of need and provide for regular uprating. (Paragraph 56). We also suggest that the review, which would be expected early in the life of the new Parliament, should lead to a separate allocation of 'Short money' to the Lords. (Paragraph 57 - see also (xii) below)

Members of the House of Lords

(ix) **Basic allowance.** As from 1 August 1987 the secretarial costs, postage and certain additional expenses allowance should be increased from £20 to £22 a day. (Paragraph 62)

(x) **Ministers and other paid office holders.** As from 1 August 1987 the secretarial allowance should be increased from £2,334 to £2,570 a year. (Paragraph 64)

(xi) **Uprating.** The allowances for Peers and Ministers and other paid office holders in the House of Lords should be uprated annually, starting with effect from 1 August 1988, by the percentage increase in the maximum of the scale for a senior personal secretary in the civil service plus inner London weighting. The allowances and method of uprating should be reviewed every four years with the next review falling due in 1991. (Paragraph 66)

(xii) **Opposition front-bench Peers.** There should be a separate allocation of 'Short money' to the opposition parties in the Lords. The distribution of money between the parties should be on the same basis as in the House of Commons. The total sum of money

but should be sufficient to provide some eight to ten experienced research staff for the main opposition party. There should be the same regular uprating as in the Commons. (Paragraph 67)

(xiii) Active back-bench Peers. The Leader of the House may wish to invite the House to consider further whether a special secretarial allowance could be introduced for active back-bench Peers. (Paragraph 71)

PLOWDEN
HAROLD ATCHERLEY
DEREK BIRKIN
CHORLEY
ROBIN IBBS
PETER MATTHEWS
ANDREW MORRITT
JEREMY POPE
THOMAS SKYRME

OFFICE OF MANPOWER ECONOMICS
3 April 1987

CC(38)

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

October 21/82

Dear Prime Minister. 2 DCN 3/4

Attached is the standard letter together with enclosures that we have sent to every Member of Parliament.

I send it so that you may be aware of the action we have taken.

Yours sincerely

Norman Fowler.

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

Rt Hon Margaret Thatcher MP
House of Commons
LONDON
SW1A OAA

29 October 1986

REVIEW BODY ON TOP SALARIES: PARLIAMENTARY ALLOWANCES

As you will know, the Review Body have been asked to carry out a review of the secretarial, research and office expenses allowance. I am writing to ask for your help in this.

It will be important for us to have information about Members' use of staff, the costs incurred, and their views on the allowance. We have decided that, as in previous reviews, the best way of obtaining this information is by means of a postal survey. I enclose a copy of the survey questionnaire and should be grateful if you would complete it and return it to the Office of Manpower Economics, using the label provided, if possible by 14 November. A good response is essential if the results of the survey are to be reliable and I hope you will be able to spare the time to let us have your answers.

You will see that your name does not appear on the form, which is identified only by a code number. This is to help in preserving the confidentiality of the information which you supply. Of course, if you want to add a covering letter containing further points which you wish to bring to the Review Body's attention, we shall be pleased to receive it; but no information will be made available to anyone other than the members of the Review Body and the staff involved in the review. No data relating to individuals will be published, although we may decide to include a summary of the information from the survey in our report.

I should add two further points. Firstly, you may like to know that we are also conducting a sample postal survey of Members' secretaries and research assistants. One or more of your staff may be among those who will receive their own questionnaire. Similar confidentiality rules will be observed and no attempt will be made to link individual replies from Members with those from their staff. Secondly, we are commissioning, from Hay Management Consultants, a more detailed study of a small number of MPs and their staff. Should you be one of those approached by the consultants on our behalf, I hope that you will feel able to assist them. Their findings will also be confidential to the Review Body and our staff.

PLOWDEN, CHAIRMAN
REVIEW BODY ON TOP SALARIES

FORM PA 1

SURVEY OF MEMBERS OF PARLIAMENT:
SECRETARIAL, RESEARCH AND OFFICE EXPENSES

Code no. 775

(Conducted for the Review Body on Top Salaries by the Office of Manpower Economics)

CONFIDENTIALITY - Your reply will be treated as strictly confidential and it will not be possible to identify individuals from the summaries which are produced.

Please note:

1. The Review Body has been asked on this occasion to examine only the allowance for secretarial, research and office expenses; hence this survey does not seek information or views on other types of expenditure.

2. Ministers and other paid office holders should give answers related to their duties as an MP.

3. Recently-elected Members may not be able to answer all questions but are invited to answer as many as they can and annotate their replies as appropriate.

---

1. In the year to 31 March 1986, how many staff* *(paid or unpaid)* did you have to assist you in your duties as an MP?

	Secretary	*Research assistant*
Number working full-time for you throughout the year	.....	.....
Number working full-time for only part of the year *(eg when the House is sitting)*	.....	.....
Number working part-time for you	.....	.....

** These numbers should relate to work for you in connection with your Parliamentary duties; thus a secretary shared with another Member or also employed on your outside work should be regarded as part-time (and assessed accordingly for Question 2).*

---

2. Could you please express these numbers in terms of approximate full-time equivalents? *(E.g. 1 for full-time secretary, 0.4 for a secretary working for you 2 days a week, 0.25 for a research assistant employed for three months.)*

	Secretary	*Research assistant*
Full-time equivalents	.....	.....

3. In terms of these full-time equivalents, could you please state the source of payments for their work for you?

	Secretary	*Research assistant*
From the secretarial allowance+	.....	.....
Other or additional source	.....	.....
Unpaid	.....	.....

+ Comprising staff paid directly by the Fees Office and those for whom you claim reimbursement for their salary or fee.

---

4. In the year to 31 March 1986, what were the gross salaries paid (excluding employers' pension contributions) to staff for Parliamentary work?

	Secretary £	*Research assistant* £
Salary bill for full-timers employed by you	.....	.....
Of which, amount from secretarial allowance	.....	.....
Salary bill for part-timers employed by you	.....	.....
Of which, amount from secretarial allowance	.....	.....

Please say whether the figures you have entered include or exclude employers' National Insurance contributions:

	Please tick one box
Included in all cases	☐
Included except that figures marked X above refer to staff not subject to these	☐
Excluded in all cases	☐

5. Please give estimates of your total expenditure on all other staff costs and office expenses, and the amount of each reimbursed by the Fees Office

	Total expenditure £	*Of which, reimbursed by the Fees Office* £
	Please insert '-' for nil amounts	
Employers' contributions to staff pensions	.....	.....
Staff travel costs (in excess of the free allowance)	.....	.....
Temporary assistance covering illness of permanent staff	.....	.....
Purchase of office equipment *(please specify)*		
.....	.....	.....
.....	.....	.....
.....	.....	.....
Other office expenses *(please specify)*		
.....	.....	.....
.....	.....	.....
.....	.....	.....

---

6. Can you please estimate broadly the proportions of your total staff and office expenditure which arose from your work at Westminster and in your constituency respectively?

Westminster	.... %
Constituency	.... %

7. Have you had any significant difficulty in the past year in recruiting or retaining staff?

Please tick YES |___| NO |___|

If YES, please give details and possible reasons

Secretary:

Research assistant:

---

8. Do you consider that the allowance for secretarial and research assistance and general office expenses (including pension arrangements), as it operated during 1984 and 1985, was satisfactory as to level, coverage and operation?

Please tick YES |___| NO |___|

If NO, please indicate those changes which you consider to be necessary.

---

9. Do you have any views on how the level of the secretarial etc allowance should be kept up-to-date?

10. Do you expect your arrangements for staff and office facilities to be much the same by March 1987 as they were in March 1986?

Please tick YES |___| NO |___|

If NO, please indicate what changes you expect to have made:

More staff YES |___| NO |___|
amounting to about .....full-time equivalents

Substantially higher pay for existing staff YES |___| NO |___|

Payment for staff at present unpaid YES |___| NO |___|

Improved office facilities (please specify)

.....

.....

.....

Other changes (please specify)

.....

.....

.....

---

11. General comments. If you have any further views which you wish to bring to the attention of the Review Body concerning the secretarial allowance, please give them here (or overleaf) or attach a note.

Thank you for your co-operation. It is much appreciated. Please return the completed questionnaire using the enclosed reply paid label by 14 ~~October~~ November 1986 or as soon as possible thereafter. Should you have any queries, please contact A G Starr or R D Cramp, Office of Manpower Economics, 22 Kingsway, London WC2B 6JY, telephone 01-405-5944, ext 388 or 365. They would be glad to help.

CONFIDENTIAL

OG28LX

file

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

You discussed with the Prime Minister your minute of 18 September in which you suggest that the Prime Minister might consider inviting you to examine a system of severance payments to Members of the House of Commons who cease to hold Ministerial office.

The Prime Minister expressed considerable sympathy for this proposition in view of the suddenness with which Ministers, under present arrangements, can lose their Ministerial pay. But she did not believe that this was a subject which should be raised publicly before the Election. She did, however, agree that you should set in hand some work "in house" so that Ministers were in a position to pursue the matter after an Election, if that is what they then decided.

N. L. Wicks

24 October 1986

CONFIDENTIAL

CC/86

FROM THE LEADER OF THE HOUSE
HOUSE OF LORDS

16 October 1986

Dear Peter

NBM

TSRB REVIEW OF MPs' AND PEERS' SECRETARIAL ALLOWANCES

Thank you for your letter of 15 October concerning the draft of my written evidence to TSRB. I understand that the drafting alterations have been further discussed by officials who have now agreed a final text with which I am happy.

I understand that John Biffen will be submitting his paper to TSRB next week. In the circumstances I do not think that it matters if my paper arrives a few days earlier and I therefore propose to submit it to TSRB today.

I enclose a copy of the final text of my evidence. A copy of this letter and of the evidence goes also to the Prime Minister, the Lord Privy Seal, the Chief Whip (Commons) and the Secretary to the Cabinet.

Yours

The Hon Peter Brooke MP

TSRB Review of Peers' and Lords Ministers' Secretarial Allowances

Written evidence of the Leader of the House of Lords

Background

1. A daily allowance for Peers' expenses in attending the House for the purpose of their Parliamentary duties was first introduced in 1957. In 1979 the single allowance was replaced by a system of three allowances intended to reflect more accurately the different expenses involved. One of these allowances is paid towards secretarial costs, postage and certain additional expenses. The level of the allowance since its introduction is set out at Annex A.

2. Ministers and other paid office holders are not entitled to claim under the Peers' expenses allowances but since 1980 have been eligible to receive a special secretarial allowance paid in recognition of the fact that by virtue of their position they receive a good deal of Parliamentary correspondence. The level of this allowance is set out at Annex B.

The Peers' allowance

3. The allowance covers the cost of secretarial help, the cost of providing necessary equipment, special paper (other than House of Lords stationery), postage, and certain additional expenses (domestic costs, purchase of books and periodicals and professional subscription charges that arise out of parliamentary duties).

4. Claims for this allowance may be made to recover actual expenditure over a period whether incurred at or away from Westminster but subject to a limit provided by the product of the daily maximum (currently £20) and the number of days attendance at Westminster during the period covered by the claim.

5. The TSRB may wish to review the range of items of expenditure which may be claimed under this allowance. In the Government's view, the terms of the allowance are already drawn very wide.

TSRB may also wish to review the manner in which the allowance is paid. At present there is no restriction on the amount of the allowance which may be applied to any particular head of expenditure. The Government feel that this flexibility enables Peers' differing needs to be met and they would not wish to propose a change. But there may be a case for annualising the allowance on the basis of the daily maximum and the number of days on which the House sits each year. This would go some way towards meeting the problems of those members who wished to employ a secretary, rather than use a secretarial agency, and who would therefore wish to be able to rely on a reasonably predictable sum of money to put towards the cost of employing such a secretary. Were this idea to find favour with the TSRB they may also wish to consider whether payment of an annualised rate should depend on a minimum number of attendances on the part of the claimant and whether any new problems of accountability would arise.

The Ministers' allowance

7. This allowance is claimed by very few Ministers but TSRB will wish to review its operation.

Level of the allowance and uprating arrangements

8. Since 1984 these allowances have - like the MP's secretarial allowance - been uprated by reference to the increase in the maximum point of the salary scale for a Senior Personal Secretary in the Civil Service receiving London Weighting. As will be explained more fully in the note which TSRB are to receive about the MPs' secretarial allowance, the formula would have produced an increase in these allowances of 18 per cent in 1986/87. The Government did not believe that such an increase, which arose because of an unintended quirk in the formula, could be justified and instead proposed an increase of 6 per cent, which was the general pay increase received by this grade.

9. On 16th July, the House of Lords accepted this proposal and approved a resolution increasing the Peers' secretarial allowance to £20 per day and the Ministers and other paid office holders allowance to £2334. These increases took effect from 1 August 1986. However, the House of Commons did not approve the Government's proposal and instead passed a Resolution increasing the MPs' allowance by 52½ per cent.

10. I was subsequently asked in the House by the Leader of the Opposition, Lord Cledwyn, how the House of Commons' decision would affect the motion passed by the Lords. On 23 July I informed the House that as the whole question of secretarial allowances in both Houses had, by then, already been referred to the TSRB, I thought that the Board should also consider the anomaly that had arisen in the matter of the up-rating. I further undertook to place evidence before you to enable you to carry out this function, and this I have done.

Appropriate level of the allowance

11. The Government would like TSRB to consider the anomaly and the appropriate level of the Peers' secretarial allowances in the light of all relevant factors and would like to make the following observations:

(i) The House of Commons set the MP's secretarial allowance at £12,000 in 1983 compared with a TSRB recommendation of £14,000. However, the Peers' secretarial allowance and the Ministers' and other office holders' secretarial allowance were set by the House of Lords at £17 per day and £2,000 per annum in 1983 as recommended by the TSRB. The MPs' and Peers' allowances were uprated in 1984 and 1985 in accordance with the common formula adopted following the TSRB's 1984 recommendations on uprating. However, these upratings of the MPs' allowance took place from a base below that recommended by the TSRB in 1983, while the Peers' allowances were increased from the recommended base. Following the decision of the House of Commons on 16 July 1986, the MPs' allowance is now 23.3 per cent higher in real terms than the recommended 1983 level. The Peers' allowances are exactly in line in real terms with the 1983 recommendation.

(ii) Although the Government has decided to make financial provision to pay the increase in the MPs' secretarial allowance voted by the House of Commons it does not consider that the increase was appropriate or justified.

(iii) There is no necessary relationship between the requirement of MPs and Peers for secretarial and research support. Each should be considered on its individual merits.

12. In making recommendations about the future level of these allowances the TSRB will wish to be aware of the financial consequences for public expenditure. Since 1982/83 the cost of these allowances has risen from £300,000 to an estimated cost of £600,000 in 1986/87.

13. Were the TSRB to recommend any change in the existing level of the allowance they should consider the date from which it should be effective, including whether the change should be retrospective to 1 August 1986 (the date from which the 1986-87 allowance level took effect).

Up-rating arrangements

14. The TSRB will also wish to consider whether there is a case for changing the basis of the uprating mechanism from that recommended by the Board and adopted in 1984. This issue is discussed at greater length in the note on the MPs' allowance to be submitted by the Lord Privy Seal.

ANNEX A

PEERS SECRETARIAL COSTS, POSTAGE AND CERTAIN ADDITIONAL EXPENSES ALLOWANCE

Allowance	Operative Date	Authority
£ 8.50	1 July 1979	Resolution of 16. 7.79
£10.00	1 July 1980	Resolution of 22. 7.80
£10.60	1 July 1981	Resolution of 9. 6.81
£11.00	1 July 1982	Resolution of 14. 6.82
£17.00	1 July 1983	Resolution of 25. 7.83
£18.00	1 August 1984	Resolution of 26. 7.84
£19.00	1 August 1985	Automatic Adjustment
£20.00	1 August 1986	Resolution of 16. 7.84

ANNEX B

HOUSE OF LORDS MINISTERS' AND OTHER OFFICE HOLDERS' SECRETARIAL ALLOWANCE

ALLOWANCE		OPERATIVE DATE	AUTHORITY
£ 1,000		15 February 1980	HOL Resolution of 6 3 80
£ 1,175		1 July 1980	HOL Resolution of 6 8 80
£ 1,250		1 July 1981	HOL Resolution of 9 6 81
£ 1,300		1 July 1982	HOL Resolution of 14 6 82
£ 2,000		1 July 1983	HOL Resolution of 25 7 83
£ 2,091	(a)	1 August 1984	HOL Resolution of 26 7 84
£ 2,202		1 August 1985	Automatic Adjustment
£ 2,334		1 August 1986	HOL Resolution of 16 7 86

NOTES

The allowance was introduced following a recommendation by the Top Salaries Review Body in Report No. 13 (Cmnd 7825, Feb 1980).

(a) Link established with Civil Service secretarial pay. The allowance is uprated by the same percentage as the increase in salary payable to a person in the Home Civil Service at the maximum point of the Senior Personal Secretary pay scale plus Inner London weighting.

CCBG

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON SW1A 2AT

15 October 1986

NBPM.

Dear Willie,

TSRB REVIEW OF MPs' AND PEERS' SECRETARIAL ALLOWANCES

Nigel Lawson has asked me to thank you for your letter of 7 October and to reply on his behalf.

We have no points of substance on the draft. I attach an annex with a couple of drafting alterations which have been agreed between officials.

I see that in a couple of places the draft cross-refers to material in the Government evidence on the MPs' allowance, a draft of which is currently being considered by John Biffen and John Wakeham. Given this there is a slight awkwardness in putting forward your evidence before John Biffen submits his. However, as the gap should be fairly brief, I would not wish to object to this procedure if you are content with it.

I am copying to the Prime Minister, the Lord Privy Seal, the Chief Whip (Commons) and the Secretary to the Cabinet.

Yours ever

Peter

PETER BROOKE

ANNEX

DRAFTING COMMENTS ON DRAFT GOVERNMENT EVIDENCE TO TSRB

1. Delete last sentence of paragraph 5 - repetitive.

2. Re-order draft to take the substance of paragraphs 13-14 into the following new paragraphs to be inserted after paragraph 10:

> 11. Were the TSRB to recommend any change in the existing level of allowances it should consider the date from which they should be effective, including whether the changes should be retrospective to 1 August 1986 (the date from which the 1986-87 allowance levels took effect).
>
> 12. The TSRB will also wish to consider whether there is a case for changing the basis of the uprating mechanism from that recommended by the Board and adopted in 1984. This issue is discussed at greater length in the note on the MPs' allowance to be submitted by the Lord Privy Seal.

PARLIAMENT MEMBERS PAY

PT 6

10 DOWNING STREET

Prime Minister 2

This evidence on secretarial allowances in the Lords argues, albeit obliquely, that they should not be increased to the same level as MPs' allowances. This must be right.

DRN
10/10

FROM THE LEADER OF THE HOUSE
HOUSE OF LORDS

7 October 1986

Dear Nigel

TSRB review of MPs and Peers secretarial allowances

I enclose a draft of the evidence which I should like to submit to TSRB on Peers' and Lords Ministers' and Office Holders' secretarial allowances. I am very grateful for the assistance I received from your officials in preparing this. To their draft I have, after consultation with Bertie Denham, added some paragraphs of my own, largely reflecting my position as Leader of the House.

Edwin Plowden has written to me to ask whether my evidence to TSRB could be submitted by 10 October and I should like to try to come as near as I may to meeting his deadline.

I should be grateful therefore if any comments which you and other colleagues, to whom copies are being sent, may have on the draft could be sent to me by the end of Tuesday 14 October.

I am sending copies of this letter and the attached draft to the Prime Minister, the Lord Privy Seal, the Chief Whip (Commons) and the Secretary to the Cabinet.

Yours

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

TSRB Review of Peers' and Lords Ministers' Secretarial Allowances

Draft written evidence of the Leader of the House

Background

1. A daily allowance for Peers' expenses in attending the House for the purpose of their Parliamentary duties was first introduced in 1957. In 1979 the single allowance was replaced by a system of three allowances intended to reflect more accurately the different expenses involved. One of these allowances is paid towards secretarial costs, postage and certain additional expenses. The level of the allowance since its introduction is set out at Annex A.

2. Ministers and other paid office holders are not entitled to claim under the Peers' expenses allowances but since 1980 have been eligible to receive a special secretarial allowance paid in recognition of the fact that by virtue of their position they receive a good deal of Parliamentary correspondence. The level of this allowance is set out at Annex B.

The Peers' allowance

3. The allowance covers the cost of secretarial help, the cost of providing necessary equipment, special paper (other than House of Lords stationery), postage, and certain additional expenses (domestic costs, purchase of books and periodicals and professional subscription charges that arise out of parliamentary duties).

4. Claims for this allowance may be made to recover actual expenditure over a period whether incurred at or away from Westminster but subject to a limit provided by the product of the daily maximum (currently £20) and the number of days attendance at Westminster during the period covered by the claim.

5. The TSRB may wish to review the range of items of expenditure which may be claimed under this allowance. In the Government's view, the terms of the allowance are already drawn very wide. Whether it needs or ought to be extended to other items is a matter for consideration.

6. TSRB may also wish to review the manner in which the allowance is paid. At present there is no restriction on the amount of the allowance which may be applied to any particular head of expenditure. The Government feel that this flexibility enables Peers' differing needs to be met and they would not wish to propose a change. But there may be a case for annualising the allowance on the basis of the daily maximum and the number of days on which the House sits each year. This would go some way towards meeting the problems of those members who wished to employ a secretary, rather than use a secretarial agency, and who would therefore wish to be able to rely on a reasonably predictable sum of money to put towards the cost of employing such a secretary. Were this idea to find favour with the TSRB they may also wish to consider whether payment of an annualised rate should depend on a minimum number of attendances on the part of the claimant and whether any new problems of accountability would arise.

The Ministers' allowance

7. This allowance is claimed by very few Ministers but TSRB will wish to review its operation.

Uprating arrangements and level of the allowance

8. Since 1984 these allowances have - like the MP's secretarial allowance - been uprated by reference to the increase in the maximum point of the salary scale for a Senior Personal Secretary in the Civil Service receiving London Weighting. As explained in the note about the MPs' secretarial allowance, the formula would have produced an increase in these allowances of 18 per cent in 1986/87. The Government did not believe that such an increase, which arose because of an unintended quirk in the formula, could be justified and instead proposed an increase of 6 per cent, which was the general pay increase received by this grade.

9. On 16th July, the House of Lords accepted this proposal and approved a resolution increasing the Peers' secretarial allowance to £20 per day and the Ministers and other paid office holders allowance to £2334. These increases took effect from 1 August 1986. However, the House of Commons did not approve the Government's proposal and instead passed a Resolution increasing the MPs' allowance by 52½ per cent.

10. I was subsequently asked in the House by the Leader of the Opposition, Lord Cledwyn, how the House of Commons' decision would affect the motion passed by the Lords. On 23 July I informed the House that as the whole question of secretarial allowances in both Houses had, by then, already been referred to the TSRB, I thought that the Board should also consider the anomaly that had arisen in the matter of the up-rating. I further undertook to place evidence before you to enable you to carry out this function, and this I have done.

Appropriate level of the allowance

11. The Government would like TSRB to consider the appropriate level of the Peers' secretarial allowances in the light of all relevant factors and would like to make the following observations:

(i) The House of Commons set the MP's secretarial allowance at £12,000 in 1983 compared with a TSRB recommendation of £14,000. However, the Peers' secretarial allowance and the Ministers and other office holders secretarial allowance were set by the House of Lords at £17 per day and £2,000 per annum in 1983 as recommended by the TSRB. The MPs' and Peers' allowances were uprated in 1984 and 1985 in accordance with the common formula adopted following the TSRB's 1984 recommendations on uprating. However, these upratings of the MPs' allowance took place from a base below that recommended by the TSRB in 1983, while the Peers' allowances were increased from the recommended base. Following the decision of the House of Commons on 16 July 1986, the MPs' allowance is now 23.3 per cent higher in real terms than the recommended 1983 level. The Peers' allowances are exactly in line in real terms with the 1983 recommendation.

(ii) Although the Government has decided to make financial provision to pay the increase in the MPs' secretarial allowance voted by the House of Commons it does not consider that the increase was appropriate or justified.

(iii) There is no necessary relationship between the requirement of MPs and Peers for secretarial and research support. Each should be considered on its individual merits.

12. In making recommendations about the future level of these allowances the TSRB will wish to be aware of the financial consequences for public expenditure. Since 1982/83 the cost of these allowances has risen from £300,000 to an estimated cost of £600,000 in 1986/87.

13. Were TSRB to recommend any increase in the 6% for 1986-87, consideration should be given as to whether the further increase should be retrospective to 1 August 1986.

14. The Board will wish to consider very carefully whether there is any case for changing the mechanism for uprating recommended by the Board and adopted in 1984.

ANNEX A

PEERS SECRETARIAL COSTS, POSTAGE AND CERTAIN ADDITIONAL EXPENSES ALLOWANCE

Allowance	Operative Date	Authority
£ 8.50	1 July 1979	Resolution of 16. 7.79
£10.00	1 July 1980	Resolution of 22. 7.80
£10.60	1 July 1981	Resolution of 9. 6.81
£11.00	1 July 1982	Resolution of 14. 6.82
£17.00	1 July 1983	Resolution of 25. 7.83
£18.00	1 August 1984	Resolution of 26. 7.84
£19.00	1 August 1985	Automatic Adjustment
£20.00	1 August 1986	Resolution of 16. 7.84

HOUSE OF LORDS MINISTERS AND OTHER OFFICE HOLDERS SECRETARIAL ALLOWANC

ALLOWANCE		OPERATIVE DATE	AUTHORITY
£ 1,000		15 February 1980	HOL Resolution of 6 3 80
£ 1,175		1 July 1980	HOL Resolution of 6 8 80
£ 1,250		1 July 1981	HOL Resolution of 9 6 81
£ 1,300		1 July 1982	HOL Resolution of 14 6 82
£ 2,000		1 July 1983	HOL Resolution of 25 7 83
£ 2,091	(a)	1 August 1984	HOL Resolution of 26 7 84
£ 2,202		1 August 1985	Automatic Adjustment
£ 2,334		1 August 1986	HOL Resolution of 16 7 86

NOTES

The allowance was introduced following a recommendation by the Top Salaries Review Body in Report No. 13 (Cmnd 7825, Feb 1980).

(a) Link established with Civil Service secretarial pay. The allowance is uprated by the same percentage as the increase in salary payable to a person in the Home Civil Service at the maximum point of the Senior Personal Secretary pay scale plus Inner London weighting.

CF
BF to me for next meeting between PM + RTA.
N. W.

cc B/UP

Ref. A086/2586

MR WICKS

As Mr Stark told you in his minute of 9 September, a member of the House of Lords who ceases to hold office as a Minister may be paid three month's severance pay if certain conditions are met. The authority for this is in Section 13 of the Parliamentary Pensions etc Act 1984, which itself followed from Paragraph 213 of the Top Salaries Review Body Report No 20 of May 1983.

2. It seems that the TSRB thought that members of the House of Lords who cease to hold Ministerial office were at a disadvantage compared with members of the House of Commons who cease to hold such office because they had no MPs salary to fall back on, and no payment to assist with the problems of resettlement, such as may be available to a Member of Parliament who is defeated at a General Election.

3. It has always seemed to me that there is a risk of real hardship even for a member of the House of Commons who ceases to hold Ministerial office as a result of a reshuffle. The blow can fall almost without notice, and the cut off is immediate - though of course the person concerned can start to draw the full Parliamentary salary as opposed to the half-Parliamentary salary which he or she would have been drawing while a Minister.

4. I wonder if the Prime Minister would like to consider inviting me to examine a proposition for some kind of severance payment to members of the House of Commons who cease to hold Ministerial office. It could be that the logic might point to a smaller payment - one or two months', rather than three months', severance pay - but there would be something to be said for a payment which at least gave the person concerned a little time in which to look for other employment or sources of income.

5. If it was thought too invidious to introduce such a payment with immediate effect, it would no doubt be possible for the Government to propose legislation which would introduce such payments to come into effect at the beginning of a new Parliament.

6. I am afraid that any arrangement of this kind would require legislation; but I suppose that we could examine whether it could be introduced by way of a Private Members Bill (which the Government could support) rather than by the Government itself.

RA

ROBERT ARMSTRONG

18 September 1986

hlc

bc BG.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 July 1986

Dear Alison,

PARLIAMENTARY ALLOWANCES

The Prime Minister was grateful for the Lord Privy Seal's minute of 9 July setting out proposals for handling the four yearly review of MP's Secretarial, Research and Office Equipment Allowance and for the rate of allowance payable in 1986/87, and is content.

I am copying this letter to Private Secretaries to Members of Cabinet, William Austen and Rhodri Walters (Government Whips' Office) and to Michael Stark (Cabinet Office).

Yours,

David.

(David Norgrove)

Ms. Alison Smith,
Lord Privy Seal's Office.

EA

D10

cc BG

Prime Minister!
The Chief Secretary is being advised to agree to this. Content? (I imagine it may be mentioned at Cabinet tomorrow.)

DGV
9/7.

PRIME MINISTER

PARLIAMENTARY ALLOWANCES

1. We are committed to asking the TSRB to undertake its four yearly review of the MP's Secretarial, Research and Office Equipment Allowance this Summer. I would now like to get this review under way.

2. I propose asking the TSRB to report well in time to allow consideration of its recommendations next year. But changes would not be implemented - at least of the MP's allowance - until 1 April 1988. In any event, the House may not wish to take decisions on this matter until after the next General Election.

3. When I come to present evidence to the TSRB I intend to point out the considerable extra cost to public funds that would arise from meeting any new commitments; and the burdens already placed on the administrative staff of the House of Commons.

4. I should also draw your attention to the immediate problem that has arisen with regard to the rate of allowance that should be payable in 1986/87. A restructuring of the civil service secretarial grades with effect from 1 March 1986, resulted in various proficiency allowances being incorporated within the basic salary. This had the effect of increasing the top point in the senior personal secretary scale to which the MPs' Office, Secretarial and Research Allowance is linked. This unfortunate and unanticipated effect,* together with the general 6 per cent pay increase for the civil service and the likely outcome of the London Weighting negotiations means that under the terms of the 1984 Resolution, the MPs' Allowance would increase by about 18 per cent this year compared with 1985-86. There would be similar effect, from 1 August this year, on the secretarial allowance for Ministers in the Lords; and on that part of peers allowance which covers secretarial costs.

* The reason for it is explained in paragraph 7 of the background note attached.

./...

5. These increases would of course be unacceptable. I have discussed this with John MacGregor and John Wakeham and they agree with me that we must take steps to rein back the increases to 6 per cent. I therefore intend to lay an amending Resolution before the House for debate next week, and to ask the TSRB to take the quirk in the formula into account in their general review. A similar Resolution would be needed in the Lords, and I am in touch with Willie Whitelaw about this.

6. The Commons motion would be tabled in the House after Business Questions on 10 July. I envisage a debate lasting 1½ hours. It appears that some Opposition members may oppose the motion and back the 18% increase.

7. I intend to answer an arranged PQ on Thursday 10 July setting out my intentions for the general review and this year's increase. I would publish with the answer the text of my letter to Lord Plowden commissioning his report. I attach the text of my draft reply with background notes on the matters for review.

8. I am copying this minute to Cabinet colleagues, to the Chief Whip (Commons) and the Chief Whip (Lords), and to Sir Robert Armstrong.

WJB

W J B

9 July 1986

ALLOWANCES

DRAFT WRITTEN ANSWER

Q. To ask the Lord Privy Seal whether he will make a statement about (a) the 4 yearly review of the Members' Office, Secretarial and Research Allowance; and (b) the arrangements for the 1986/87 uprating.

A. I have today written to the Chairman of the TSRB, inviting the TSRB to carry out the 4 yearly review of the level and structure of the allowance. The TSRB will be making arrangements to ensure that the views of individual Members are taken into account.

In respect of the 1986/87 uprating, the House agreed in its Resolution of July 1984 that the allowance be uprated from 1 April each year by the increase in the maximum point of the pay scale (excluding allowances and overtime) for a Senior Personal Secretary in the civil service in receipt of Inner London Weighting. A restructuring of the civil service secretarial grades in March 1986 had the effect of subsuming a number of proficiency allowances within the pay scale. This has distorted the operation of the formula for the uprating of the allowance, and I have asked the TSRB to take this anomaly into account in their current review. Meanwhile I shall be putting to the House shortly an amending resolution to bring the operation of the formula in 1986/87 into line with the general 6% increase in civil service salaries. Certain of their Lordships' allowances are similarly affected; a similar resolution will be introduced in another place.

MASTER

DRAFT LETTER TO:
LORD PLOWDEN

FROM: LORD PRIVY SEAL

DATE: July 1986

PARLIAMENTARY ALLOWANCES

When you wrote to me on 16 May 1984 conveying the TSRB's recommendations about the uprating of certain Parliamentary allowances, including the MP's secretarial, research, and office equipment allowance, you also advised that there should be provision for a periodic review of allowances to determine whether they continued to be appropriate in the light of changing circumstances. The TSRB suggested that such a review should be undertaken every four years, with the first falling due in 1987. In the debate in the House on 20 July 1984 on the uprating recommendations I said that the Government accepted the TSRB's proposal that every four years there should be such a review.

2. I am writing to you to ask the Review Body to conduct a review of MP's secretarial, research and office equipment allowance. The Government does not consider that a wider review of the allowance structure is called for at this time. The Review Body would certainly need to look at how well the uprating formula recommended and implemented in 1984 has worked in practice, and I would be grateful if in addition the review could consider the fundamental structure and level of the allowance in the light of current circumstances. [I have consulted the Leader of the House of Lords and we should like the Review Body to look also at the allowance for peers' secretarial costs, postage and certain additional expenses.]

3321/12

BACKGROUND NOTES

OFFICE, SECRETARIAL AND RESEARCH ALLOWANCE

Pre-1983

Before 1980 the allowance was based on the estimated cost of employing one full-time secretary. TSRB Report No 13 (February 1980) recommended the introduction of an allowance towards the cost of research assistance. An allowance of £1,250 was proposed in addition to the secretarial allowance of £5,500. This implied a quarter share in the time of a research assistant for each MP. The House combined these amounts into one allowance of £6,750 which an MP could allocate as he wished. This allowance was uprated in 1981 and 1982.

TSRB No 20 (1983)

2. TSRB Report No 20 (May 1983) recommended that this allowance should be sufficient to employ one full-time secretary and one half-time research assistant. An allowance of £13,000 was recommended compared with a previous figure of £8,820. This proposal for a 47 per cent increase reflected the increase in the amount of research assistance that the TSRB considered an MP required. The TSRB also recommended that there should be a separate allowance of £1,000 for general office equipment, including expenditure on equipment. Finally, it recommended that all payments to MPs staff against the allowance should be made direct by the Fees Office to the staff concerned, and that reimbursement of the costs of purchasing equipment should be subject to producing evidence of the expenditure.

1983 Resolution

3. The Government was prepared to accept these recommendations but the House decided to introduce a single allowance covering staff costs and equipment of £12,000. The recommendations

garding direct payment to staff by the Fees Office and reimbursement of expenditure on equipment on production of evidence were accepted.

Uprating of Allowance

4. The issue of the future uprating of this allowance was referred to the TSRB in February 1984. It recommended in May 1984 that the allowance should be uprated by the increase in the maximum point of the salary scale of a Senior Personal Secretary in the Civil Service receiving Inner London Weighting. In making its recommendation the TSRB made three points:

i. The recommendation took account of the fact that the work done by a Civil Service SPS was broadly analogous in terms of quality to the secretarial support required by MPs;

ii. The allowance is a composite one - covering both staff costs and the cost of office equipment - but it is reasonable to assume that the majority of the allowance is spent on staff salaries;

iii. There should be a periodic review to determine whether the forms and levels of allowance, as well as the methods of updating them, continue to be appropriate in the light of changing circumstances.

5. The House accepted these recommendations which are enshrined in its Resolution of 20 July 1984. In replying to the debate the Lord Privy Seal said:

"The Government have said that they accept the TSRB proposal that, every four years, there should be a review of our allowance structure."

Staff Pension Allowance

6. The level of allowance in the year 1 April 1985 to 31 March 1986 is £13,211. There is also a separate allowance of up to

10 per cent of the office, secretarial and research allowance which an MP may claim towards the costs of pension scheme for employees. Thus, when the main office allowance increases the allowance towards the costs of pension contributions for staff rises by the same percentage. In the year to 31 March 1986 it was £1,321. Although this is a separate allowance its link with the main office allowance means that, under present arrangements, any increase in the main allowance has an automatic effect on the size of eligible pension contributions.

1986 Uprating

7. The uprating of the allowance from 1 April 1986 will involve an increase of around 18 per cent. This arises because the maximum point of the Civil Service SPS scale was increased from 1 March 1986 by 15 per cent as part of the restructuring of secretarial grades. Although most Civil Service secretaries did not receive any cash increase (because the increase in scales was claimed back by the withdrawal of proficiency allowances) the Resolution specifically excludes allowances and overtime from the calculation of the uplift factor. Therefore the uprating is based on changes in the scale only. Taking into account the general increase in civil pay rates from 1 April 1986 and the increase in London Weighting from 1 October 1986 the uprating formula will produce an increase in the allowance of about 18 per cent. This is rather higher than the basic Civil Service SPS increase of 6 per cent and will provide MPs with a bonus of about £1,500. Unless the 1984 Resolution was to be amended there is no way of preventing this increase going ahead. However, it is certainly a relevant factor to be taken into account in the forthcoming review.

MP's Representations

8. Since the Resolution of 20 July 1984 was adopted there has been a steady stream of representations from MPs dissatisfied about the size of the allowance. An Early Day Motion of 9 May 1985 called for an allowance sufficient to finance salaries for 1 full-time secretary and 1 full-time research assistant, instead of 1] at present. At various times MPs have called for the

allowance to be increased in order to allow them to hire a secretary in their constituency as well as at Westminster, to engage more reserach assistants, and to purchase new technology. There have also been calls to increase the allowance to that provided by the European Parliament i.e. £18,000 for staff salaries and £5,000 for office equipment.

Composition of the Review

9. The Lord Privy Seal has undertaken to the House that, in accodance with TSRB's recommendation, a review of the allowance will be established before the 1986 Summer Recess. Amongst other things it will need to assess:

(a) Whether the assumptions on which it is based (1 full-time secretary and 1 half-time research assistant) are valid;

(b) What it should cover;

(c) Whether there should, as the TSRB recommended in 1983, be separate allowances for staff costs and office equipment;

(d) The relationship between the size of the allowance and the various free office services received by MPs within the Palace of Westminster e.g. free stationery, postage, telephone calls;

(e) The arrangements for accounting, through the Fees Office, for expenditure against the allowance;

(f) Whether the increased availability of voluntary unpaid research assistants to MPs should affect the size of the allowance.

10. In making recommendations about these matters the TSRB will need to undertake some studies of the comparative workloads and work styles of MPs. For example the 1983 Report found that, while almost all MPs employed secretaries, only 58 per cent

employed a research assistant.

Timetable for Review

11. The Lord Privy Seal told a group of MPs on 25 July 1985 that he envisaged a report from the TSRB in December 1986, consideration of it in 1987, and any changes to be implemented from April 1988. However, we understand that the TSRB may find it difficult to make recommendations in 1986 about the appropriate level of allowance to apply from 1 April 1988. Equally the Government would find it difficult to entertain fundamental changes, which added substantially to the cost, in 1987. It is recommended that the date from which the TSRB's recommendations should take effect should be left vague in the letter commissioning the review.

Financial Implications

12. The annual cost of the allowance in 1985-86 was about £8.5 million. This will rise to about £10 million in 1986-87 after the 1986 uprating has taken place.

PERSONAL AND CONFIDENTIAL

FILE CAJ (26)

SUBJECT CC MASTER

10 DOWNING STREET

From the Principal Private Secretary

18 June 1986

TSRB: PARLIAMENTARY PAY AND ALLOWANCES

The Prime Minister discussed this morning with the Lord President his minute of 13 June. The Prime Minister said that she would want, if at all possible, to avoid further consideration of the issues raised by the Lord President by the Top Salaries Review Board. The Lord President should therefore consider alternative courses with the Chancellor of the Exchequer, including the possibility of payment of increased allowances to Lords Ministers. The Lord President and the Chancellor should take account in their consideration of the likely developments on the pay of Junior Ministers in the Commons.

The Prime Minister asked the Lord President to keep her in touch with his discussions on this matter.

N. L. WICKS

Miss Joan MacNaughton,
Lord President's Office

PERSONAL AND CONFIDENTIAL

cc BLUP

1. MR. WICKS N.L.W.

2. PRIME MINISTER 136

Attached is a minute from the Lord President which draws attention to the differential in remuneration between Junior Ministers in the Commons and in the Lords. This will become very wide (approaching £10,000) in 1988 when the MPs' salary received by Commons Ministers takes a quantum leap, Under the terms of the Motion passed on 19 July, 1983. Lord Whitelaw points to the difficulty of recruiting and retaining good Ministers in the Lords in these circumstances: I gather he has one particular case in mind. He proposes referring the question of Lords Ministers' Pay to the TSRB and seeks your approval for this general approach.

The position of Ministers' salaries generally is that they are set up till 1 January, 1987, but that a new determination will have to be made for 1 January, 1988, when MPs' salaries will go up by 20% or more. Clearly, decisions will be needed on the whole issue, but not just yet. The question that Lord Whitelaw is putting to you therefore is whether it is right to extract the question of Lords Ministers' Pay.

Before this could be done, we should need to be sure of the mechanics, e.g., it is not entirely clear whether the TSRB would accept such a reference. Alternatively, they might be asked to look at Lords Ministers' allowances which are, I gather, as much a bone of contention as their salaries. To decide how to proceed we should need Sir Robert Armstrong's advice. Before doing so, however, you will need to decide whether you are in principle sympathetic to Lord Whitelaw's approach.

Is there no way we can do away with allowances?

Would you like to discuss this with him at your meeting on ~~Tuesday~~ Wednesday?

N. Yes pls

TF

13 June, 1986.

JD3AML

cc BJOP.

PRIME MINISTER

TSRB: PARLIAMENTARY PAY AND ALLOWANCES

I understand that now is the time for considering whether submissions should be made to the Board on parliamentary pay and allowances. John Biffen tells me he considers himself committed to raising the question of secretarial allowances. That of course is a matter for him. As he is to raise it, however, I feel I must draw your attention to the position of junior Ministers in the Lords, which for some time has been causing me grave concern.

2. Ministers in the Lords, who receive no parliamentary salary as do their Commons counterparts, at one time received a significantly higher ministerial salary to compensate. But the differential has gradually been eroded. With the imminent linking of parliamentary salaries to a Civil Service rate, the gap between what a Commons Minister and a Lords Minister receives will become very noticeable: approaching £10,000 by 1988 in the case of Parliamentary Under Secretaries of State. (Similar arguments apply to all Lords Ministers, but it is the position of Parliamentary Secretaries, Lords in Waiting and Ministers of State which worries me.) In addition to the gap in pay, access to allowances is very restricted for Lords Ministers: they cannot claim in respect of the additional cost of maintaining a base in London, for instance. And you have seen the anomalies arising over travel expenses when Ministers are first appointed.

3. But it is not the comparative position, or the fact that the automaticity of increases in salaries will not be available to Lords Ministers once the current scales expire, which motivates me to write. It is that I foresee grave difficulty in recruiting and retaining good Ministers at the financial sacrifice this currently entails. I need not spell out to you the implications for our front bench strength in future if we cannot persuade some of our more talented supporters to serve in a junior capacity now because of financial reasons.

4. I would not have troubled you with this had I not personally been convinced of the seriousness of the situation. Nevertheless, if you feel the whole question should be left alone, I would understand perfectly. Otherwise I would propose to put in a paper covering the details of the case to the TSRB.

Privy Council Office
13 June 1986

PARLIAMENT MP's Pay PT6

Background

July 1983 Members of Parliament voted for 5 equal instalments of £798.

This means their pay is as follows:

from:	June 1983	£15,308
	1 January 1984	£16,106
	1 January 1985	£16,904
	1 January 1986	£17,702
	1 January 1987	£18,500
	1 January 1988	89% of maximum of senior principal scale.

From April 1985 current senior principal maximum is £22,926 and assuming a 4½% increase over the next 2 years, MPs will be paid £22,282 in 1988 - a 20.5% increase that year.

IN CONFIDENCE

Pay file.
J Drewer has copy

PRIME MINISTER

When I told Lord Young last night that you thought it better not to change his status to a paid Minister at the present time, he mentioned that Lord Whitelaw had told him that day that he should be paid. According to Lord Young, Lord Whitelaw thinks that his unpaid status gives an undesirable amateur or dilettante image. (The Lord President is out of town today so I cannot check whether he did say this.)

Lord Young asked me to draw this point to your attention, but was quite happy not to hear anything further about the matter. He added that if it was decided to pay him, and if you ever needed his salary for another Minister, he would willingly relinquish it.

I do have to say that I rather doubt whether Lord Young's unpaid status does give any undesirable impression. Voluntary unpaid public service is not something to be defensive about.

So, leave things as they are, for the time being?

NLW.

N L WICKS

4 September 1985

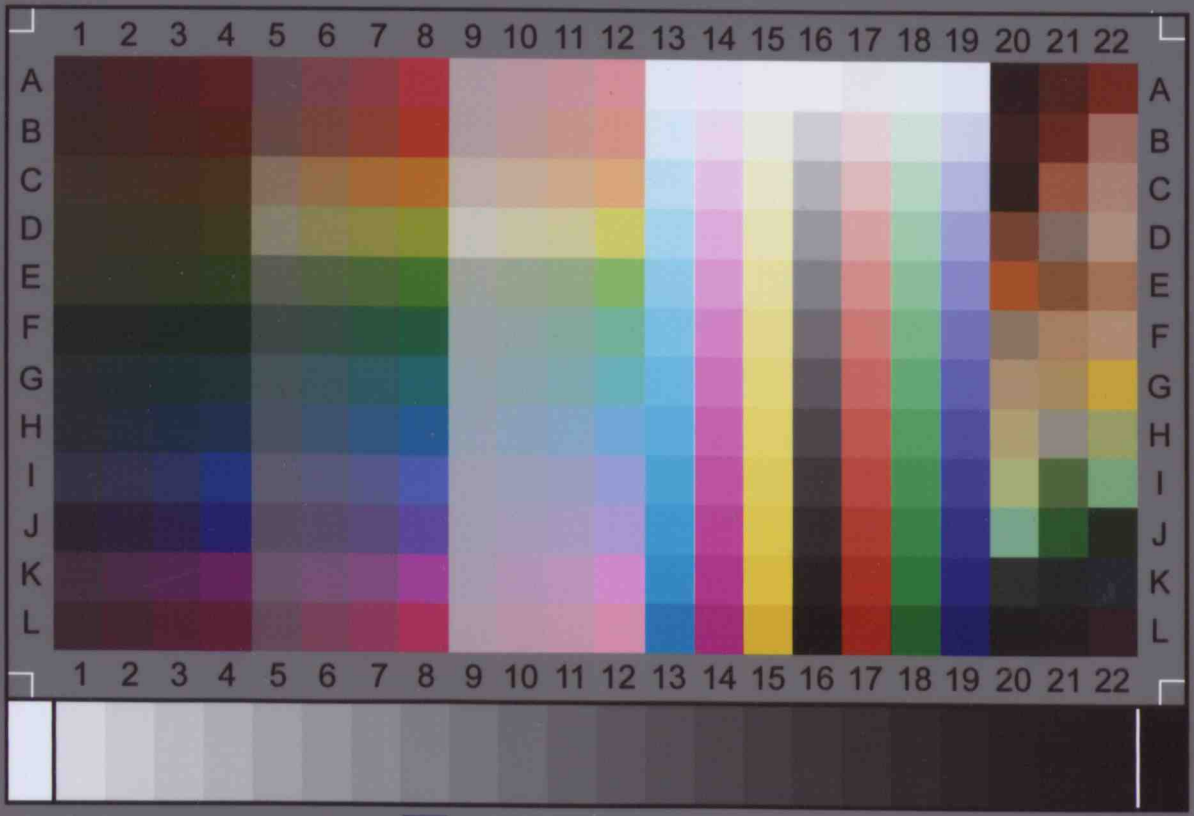
IN CONFIDENCE

PART 5 ends:-

Drews (Appts. section) to FERB 26/3/85

PART 6 begins:-

NW to RM 4/4/85.



IT8.7/2-1993
2009:02

Image Access

IT-8 Target

Printed on Kodak Professional Paper

Charge: R090212