

10,900  
12,300  
16,500  
32,000  
G. van  
CONFIDENTIAL

Ref. A09817

PRIME MINISTER  
\_\_\_\_\_

TSRB 12: MPs' and Ministers' Pay

(C(79) 22)

BACKGROUND

The Cabinet have all had copies of the full TSRB report as well as the Chancellor of the Duchy's paper but, although the subject was touched on briefly at E Committee on 29th May, the Cabinet itself has not so far discussed the subject.

HANDLING

2. You will want to invite the Chancellor of the Duchy to introduce his paper. Thereafter a possible sequence of speakers would be the Lord President; the Home Secretary; the Lord Chancellor; the Chancellor of the Exchequer; the Secretary of State for Employment; and the Paymaster General.

3. The main points to cover are:-

- (a) Main rates: Increases in both the Parliamentary salary and the pay of Ministers and Office Holders are, by common consent, long overdue. A summary of the TSRB's new recommendations is to be found on pages 31 to 35 of the full Report. The rates assume that an MP's job is a full time one (differential full and part time rates would be very difficult to apply as the TSRB recognise). Comparison of the salaries actually in payment and those recommended in 1975 are to be found in Appendix A to the full Report (pages 36 to 38). In no case are the salaries in payment yet up to the 1975 rates: since when the RPI has increased by 56 per cent and average earnings by some 60 per cent. Thus very large increases are needed to correct the situation. The TSRB is however the accepted and authoritative mechanism for determining these salaries. There is little doubt that most MPs (and Ministers) will expect the Report's recommendations to be implemented in full. It is unfortunate that the effects of pay policy in recent years



CONFIDENTIAL

have left so large a gap to be covered - which gives a presentational problem - but the Cabinet has little real choice other than to accept the recommendations or scrap the system.

- (b) Staging: Acceptance of the recommended rates need not of course mean that they should be fully implemented at once. There is a case for doing this (staging prolongs the presentational agony, particularly when stage increases are updated and the results presented in the Press as a single percentage - as happened last month with the doctors and dentists and other TSRB groups) but the DDRB and TSRB 11 precedents rule this out. The Annex to C(79) 22 deploys the main options from which the Cabinet must choose.
- (c) Implementation for pensions purposes: All the precedents, Parliamentary and other, point to accepting the new rates immediately for pensions purposes.
- (d) Parliamentary pay for Ministers: Ministers receive part of their Parliamentary salary in addition to their Ministerial salary. The Report recommends that all Ministers should receive a Parliamentary salary of £7,000 a year. This is in line with the general recommendations of the Report and there is no special reason to object to the recommendation or its implementation. If increased pay to MPs is implemented in stages so too would of course be the Parliamentary pay to Ministers.
- (e) Allowances: You, though not the other members of the Cabinet, have the full explanation of the current allowances payable to Members of Parliament provided in the letter from the Chancellor of the Duchy's Private Secretary to your Private Secretary on 18th June. The TSRB has said that it intends to report separately on the secretarial allowance for MPs and that an interim increase of £400 a year (making £4,600 in all) should be payable pending the second report. It would of course be possible to defer payment of this increase until the second report is available. In the longer term it might also be possible to consider whether there are alternative ways (avoiding tax-free allowances) by which



CONFIDENTIAL

MPs might be provided with secretarial and other assistance they need. You and your colleagues will know whether such alternative systems - i. e. the direct payment of secretarial salaries by Parliament - would be likely to commend themselves to the House.

- (f) Updating: The Report points to the inevitable problems which arise when the pay of Ministers or MPs are increased infrequently by large amounts. It considers, but rejects, the idea of linking MPs' pay to that of a particular Civil Service grade. Instead it favours interim updating (annual) by reference to the relevant part of the New Earnings Survey. It would be helpful if the Cabinet could decide in principle how it wants updating to be handled. But in view of the decisions taken recently not to promise updating either to the Doctors and Dentists or to the other TSRB groups, it will also no doubt be necessary also to avoid a promise to MPs and Ministers.
- (g) Allowances to Members of the House of Lords: The Report recommends that the present daily maximum expense allowance of £13.50 for peers who are able to travel daily to attend the House of Lords and £16.50 for those where attendance involves an overnight stay in London, should be replaced by three individual maxima, namely:-
- (i) Overnight subsistence - £18.50.
  - (ii) Day subsistence and incidental travel - £9.
  - (iii) Secretarial costs etc. - £8.50.
- (h) In making this recommendation the Review Body are reverting to a recommendation made by them in 1976 for a more differentiated system of allowances which was not accepted by the previous Government. The Report refers (in paragraph 56 on page 22) to "considerable opposition within the House of Lords to the concept of the grouping of eligible items of expenditure" and page 25 of the Report contains a note of reservation on the Report's recommendations by Lord Hirshfield (who wants to see a simpler system). But the allowances are intended to cover actual expenditure and not to include an element of pay. The simplest course for the Government is probably to accept the Review Body's recommendations without change.



CONFIDENTIAL

- (i) Waivers: You will recall the Lord Chancellor (describing himself as the successor of Sir Thomas More) saying at E last month that he would consider forgoing any increase which he himself had to approve. Some other Ministers may feel the same way. However, the Home Secretary argued strongly that this put great moral - and perhaps unfair - pressure on other Ministers and MPs to forgo part of their own increases, even though they could less well afford it. It is, of course, always open to any Minister or Parliamentarian to forgo his pay and allowances as a matter of personal choice. But equally it is open to the Cabinet to discourage colleagues from pursuing this path.
- (j) Procedure: The procedure and timetables set out in the paper seems acceptable, but you will want the views of the Paymaster General on this and on the best way of presenting the increases.

CONCLUSIONS

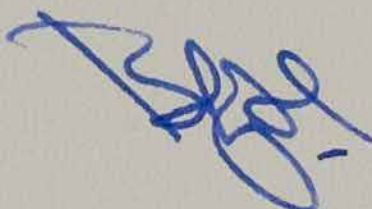
4. Subject to the course of discussion, I think you should be able to guide the Cabinet to agree:

- (a) That the new Parliamentary salaries and Ministerial and Office Holders' pay rates recommended by TSRB should be approved.
- (b) Either that the new rates be introduced at once; or that they be staged as suggested by the Chancellor of the Duchy; or that they be staged over a longer period to be specified.
- (c) That the new rates should be adopted for pension purposes immediately.
- (d) That whatever staging arrangements are agreed should apply also to the Parliamentary salary of Ministers and other paid office holders.
- (e) Either that the proposed interim increases in secretarial allowances to be paid immediately; or that a decision be deferred until receipt of the second part of the TSRB report.
- (f) That the other increases and allowances including Peers' allowances proposed by TSRB should be approved.
- (g) That a decision should be taken to update future salaries on the basis proposed in the Report but that no promise of actual updating next year should be given now.



CONFIDENTIAL

- (h) Either that Ministers and MPs should be free to waive any increase in their salaries at their own discretion; or that, while respecting their right to choose, the Cabinet would wish to discourage colleagues from doing so.
- (i) That the procedure for handling the report, suggested by the Chancellor of the Duchy, should be adopted.

  
for JOHN HUNT

19th June, 1979