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Ref. A02511

PRIME MINISTER

Top Salaries

(C(80) 37)

My memorandum of 2nd July fulfils the remit given to me by the Cabinet yesterday. I think it is self-explanatory, but there are one or two points to comment on.

Ministers

2. There are three questions to decide:
- (a) What increase should Cabinet Ministers have in addition to the second stage due on 13th June 1980? This is the stuff of gesture, and very much a matter of political judgment. Would a decision by the Cabinet to deny themselves any increase be seen as a valid gesture or a political gimmick? If the Cabinet decides that Cabinet Ministers should have some increase, perhaps it should be lower than that recommended for MPs, to give additional authority to the advice to be given to them. Should it also be lower than any of the other increases for particular grades in TSRB 14? That would point to an increase of $7\frac{1}{2}$ per cent if the Cabinet goes for the higher option for TSRB 14 groups, or 5 per cent if it goes for the lower option.
- (b) What should the extra salary for Ministers of State and Parliamentary Secretaries in the Lords be? My memorandum proposes £4,000: a figure plucked out of the air as being about two thirds of the amount of Parliamentary salary drawn by Ministers in the Commons. }
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- (c) Should the same additional salary go to Cabinet Ministers in the Lords? Cabinet Ministers in the Commons are entitled to draw about £6,000 of their Parliamentary salary in addition to their Ministerial salaries: do they want to treat their Lords colleagues less generously than Ministers of State and Parliamentary Secretaries in the Lords? I know that

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£4,000 will not make much difference to Lord Carrington and Lord Soames, but the Cabinet should ignore arguments ad hominem: it is creating a new principle, and not all Cabinet Ministers in the Lords will be men of considerable means.

- (d) Is the Cabinet content with the method of implementing the additional salary for Ministers of State and Parliamentary Secretaries in the Lords? It is the only way of implementing it, short of new legislation to amend the Ministerial Salaries Act 1975 or a Resolution of the House authorising an attendance allowance for Ministers in the Lords; but it will need careful presentation to make sure that ^{it is understood that} the full increase will in fact be paid only to Ministers in the Lords.

TSRB 14 Groups

3. The 9.6 per cent increase proposed for MPs represents a reduction of 35 per cent on the 14.6 per cent proposed by TSRB 15. If the general level of increases proposed by TSRB 14 (i.e. excluding the special additional increases for improving differentials and facilitating recruitment to the bench) is taken as 19 per cent, a reduction of 35 per cent on that produces an average increase of 12½ per cent, which is about half the overall increase of 25 per cent actually recommended by TSRB 14, including the special additional increases. Even the higher option will therefore be regarded by the TSRB 14 groups as less generous than what is proposed for MPs.

4. We have kept three of the four groups within an overall 12½ per cent, but we have gone over the top for the judges, as a conscious decision to round up rather than down in recognition of the special factors relating to the judiciary to which TSRB 14 drew attention in Chapter 4. That takes the overall increase for all four groups up to 12.8 per cent. If the Cabinet wanted to bring the overall increase for the judiciary within 12½ per cent, the salary rates would have to be:

	£	%
Lord Chief Justice	40,000	8.1
High Court Judge etc.	31,750	11.4
Circuit Judge etc.	21,750	11.5
Masters and Registrars of Supreme Court etc.	20,000	15.9

5. The $12\frac{1}{2}$ per cent scale (column C) for higher civil servants and senior officers in fact gives all grades an additional £2,500 except the Deputy Secretary and equivalent, to whom it gives only £2,000. This is because we have shaped the progression of salary rates broadly to preserve the differentials recommended by TSRB 14, and they seem to have taken a deliberate decision to depress the Deputy Secretary and equivalent in relation to Permanent Secretaries and Under Secretaries:

	Current Salary	TSRB 14	Column C
Full Permanent Secretary etc.	28,500	34,000	31,000
	(+6,000)	(+7,000)	(+6,500)
Deputy Secretary etc.	22,500	27,000	24,500
	(+4,500)	(+3,500)	(+4,000)
Under Secretary etc.	18,000	23,500	20,500

6. The 9.6 per cent increase for TSRB 14 groups could be achieved only at the cost of:

- (a) setting aside pay research for Senior Principals as well as Assistant Secretaries;
- (b) severe new compression of differentials at the "interface" for all groups, extending down to Principals in the higher Civil Service (thus not only rejecting TSRB's proposals for improving differentials but actually moving in the opposite direction);
- (c) damage to judicial recruitment prospects;
- (d) charges of treating the TSRB 14 groups worse (in relation to the TSRB recommendations) than MPs and Ministers.

7. If the Cabinet reaches decisions, it will need to discuss the timing of an announcement. The sooner the better, of course; but there will be a lot to do and a lot of people to be seen (including Lord Boyle) before an announcement is made, and I do not think that it can all be done between the time of these decisions and 3.30 pm the same day. This points to an announcement on Monday.

HANDLING

8. You may like to start by inviting the "sponsoring" Ministers to comment on the note and the tables: first, the Chancellor of the Duchy, then the Lord President, the Secretary of State for Defence and the Lord Chancellor; and

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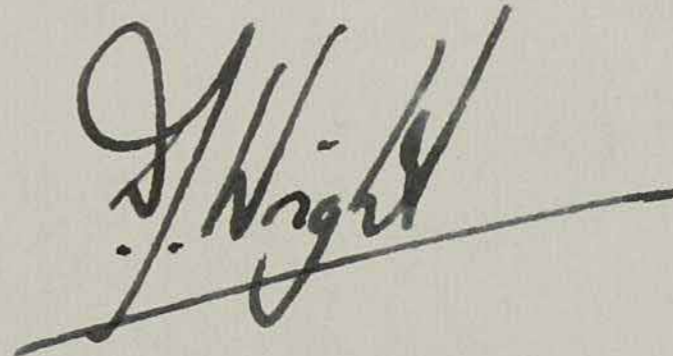
finally the nationalised industry Ministers - the Secretaries of State for Industry, Trade, Energy, Transport and Scotland. After that the Chancellor of the Exchequer could be invited to speak; and then the discussion would be open.

9. You should make sure that the sponsoring Ministers, and particularly the Lord President and the Secretary of State for Defence, tell the Cabinet how they think their clients will react to the reduced increases proposed, and what the consequences will be. These are not reasons for not going ahead; but the Cabinet should take its decisions on the basis of a full account of the implications.

CONCLUSIONS

10. If the Cabinet reaches decisions on the basis of one or other of the options now before it, you will wish to guide it to:

- (a) decisions on additional salaries for Ministers in the Lords;
- (b) decisions on timing of announcement;
- (c) instructions to sponsoring Ministers about advance information to representatives of the groups concerned (the National Staff Side, the Chiefs of Staff, the Lord Chief Justice, the Chairmen of nationalised industries);
- (d) instructions to the "sponsoring" Ministers to agree with the Lord President corresponding figures for the grades and posts not covered in these summary tables.



ROBERT ARMSTRONG

(drafted by Sir R. Armstrong
and signed on his behalf)

2nd July, 1980

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