



Chancellor of the Duchy of Lancaster

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to advise

PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

30 January 1980

Lees Nick

PARLIAMENTARY PAY AND ALLOWANCES

In your letter of 15 January you asked for the Chancellor of the Duchy's advice on the handling of TSRB 13. I now enclose this in the form of a draft Cabinet paper - although if the Prime Minister preferred, this could easily be converted into a letter to her and colleagues.

The paper generally proposes acceptance of the TSRB recommendations on allowances which are, in the main, uncontroversial. However, on the suggestion that Members' secretaries should become employees of the House, the paper suggests the Government should favour the continuance of the present well-established system of direct employment by Members, if the House decides to debate the issue.

The pay linkage issue remains the major problem. As you know, this is a very contentious issue in the House, and, if Ministers can see no way of agreeing to indexation by the use of the New Earnings Survey, then we will need to devise some alternative method of keeping Parliamentary pay at an appropriate level, if the Government is to avoid embarrassing difficulties with the House. One possible way of achieving this might be by annual Boyle reviews, as suggested in the Paper, with the Review Body invited to take account specifically of professional earnings as part of their normal process.

At this stage I am copying this only to Murdo MacLean (No 12) and David Wright (Cabinet Office).

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TSRB 13: PARLIAMENTARY PAY AND ALLOWANCES ETC.  
MEMORANDUM BY THE CHANCELLOR OF THE DUCHY OF LANCASTER

### Introduction

1. Report No 13 from the Review Body on Top Salaries (TSRB) on Parliamentary Pay and Allowances was delivered to the Prime Minister on 15 January. It recommends an increase in the Members' secretarial allowance and changes in its method of payment, together with improvements in certain pension arrangements, in severance pay, and in the free travel arrangements. A new support allowance for Ministers in the House of Lords is also recommended. TSRB also reiterate their earlier view that a salary link with an outside analogue for the Members' salary would be undesirable.
2. A summary of the Report's recommendations is at Annex A; the terms of reference for the review are at Annex B. Most of the Report is uncontroversial but two comments which need particular examination are those on the secretarial allowance and the salary link.

### Secretarial allowance

3. TSRB comment on the growing usage of secretarial and research assistance by Members, reflecting the growth in paper-work and the need for them to inform themselves on increasingly technical or specialist subjects. Consequently, they propose that the present secretarial allowance should be replaced by two separate allowances with maxima of £5500 for the employment of a full-time secretary, and of £1250 for part-time research assistance. Together, these represent an increase of 47% over the current £4600 allowance, fixed at this level as an interim measure in June 1979. The introduction of these new arrangements would help Members in their work, and contribute to the better functioning of Parliament. TSRB consider that there should be better accountability to match these higher allowances and they propose that payments be made direct by the Fees Office to secretaries or research assistants on the Members' behalf.



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4. TSRB additionally made the suggestion (rather than recommendation, since the matter is outside their terms of reference) that the House might reconsider the question of secretaries being employees of the House rather than of Members. It is envisaged that under this arrangement, which would be optional, Members would still select their own personnel. How this would work is unclear. The advantages would be that Members would be relieved of dealing with pay, tax and national insurance matters, and of liabilities under Employment Protection legislation, while the secretaries would benefit from standardised pension and redundancy pay arrangements. The accountability problem would be solved. There would, however be a number of difficulties for the House authorities, as the new employer. They would find it difficult to accept responsibility for the management and perhaps the careers of staff they had no part in choosing. Also, there would be occasions when the reallocation of an unwanted secretary, due to a Member's departure from the House, could be difficult. The rest of the House staff might also feel resentful about Members' secretaries being taken on without going through the normal competition procedure. The arrangement would, of course, tend to increase costs.

5. It is difficult to reconcile the various views expressed on this issue, but I consider, on balance, that the existing arrangement whereby a secretary is an employee of the Member operates reasonably well most of the time. I would suggest therefore that the Government support the existing arrangements should the House wish to debate the matter. On the accountability point, I recommend that the Government should strongly urge Members to arrange for payment through the Fees Office, but should not oblige them to do so.

Salary Link

6. TSRB have looked at proposals for linking MPs' pay with other salaries or with general indices in previous Reports, but have on each occasion rejected the idea because in their view the special features of the Parliamentary salary made it unsuitable for such treatment. Report No 12 (June 1979) acknowledged the force of the arguments put for the automatic updating of MPs pay without the need for public debate, and suggested that, if Parliament



itself wanted to pursue the concept, the use of the Department of Employment's New Earnings' Survey to reflect movement at levels of pay comparable to MPs afforded the best solution. However, in discussion last year Cabinet felt that a link with this general index might create a precedent too easily copied by other public sector groups; more recently, of course, the public and Government evidence to the Clegg Commission specifically rejected indexation as a basis for pay determination. TSRB were, however, asked last year to look at possible links with one or more specific analogues in the professional field following a suggestion from the 1922 Committee. After careful consideration, however, TSRB conclude that there is no similarity between the functions and responsibilities of any professional groups and those of MPs, and that there is no relationship in terms of pay. They reiterate that in their view regular independent review remains the best way of dealing with Parliamentary pay, but that, if some form of automatic updating is required, the least unsatisfactory method is by reference to the NES.

7. It is clearly difficult to recommend linkage in the light of the rejection from TSRB, and our general views as a Government on indexation. However, I am equally conscious of the very considerable pressure which there has been in the House for the use of an analogue as an improvement in the way in which Parliamentary salary is updated and it can be argued that linkage with a comparable professional group (if one can be found) is not strictly "indexation".

8. Accordingly I propose to see the Chairman of the 1922 Committee and the Shadow Leader of the House to sound them out about the matter in the light of the latest TSRB views. I am sure that we shall need to offer some concession to feeling in the House. One alternative to a salary link would be the institution of annual Boyle reviews of Members' pay. As part of these annual reviews, TSRB could be invited to take account of salary movements in the professional field, which would go at least some way towards meeting the views of our back-benchers. It would obviously not be possible for the Government to give any



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firm commitment with regard to the implementation of these annual recommendations, but we can argue that good faith has already been demonstrated by our commitments to pay the full 1979 recommended salary by 1981 and to accept and implement whatever updating for Members' pay TSRB recommends for this Summer. Annual reviews could begin in 1981.

Conclusions

9. Accordingly, I invite the Cabinet to agree

- i) to the acceptance of the TSRB 13 recommendations listed at Annex 'A', except that:
- ii) on the question of secretaries becoming House employees, the Government will support the line that the present arrangement whereby a secretary is the employee of the Member, should continue;
- iii) I should discuss linkage with the Chairman of the 1922 Committee and the Shadow Leader of the House in the light of the latest views of the TSRB, and report further on the matter.

The Report can be available for publication about 8 February and I shall need to announce our decisions in the House at the time of publication.



## CONFIDENTIAL

REVIEW BODY ON TOP SALARIES - REPORT NO 13 MINISTERS OF THE CROWN  
AND MEMBERS OF PARLIAMENT AND THE PEERS' EXPENSES ALLOWANCE: PART II

## SUMMARY OF RECOMMENDATIONS

## SECRETARIAL ALLOWANCE

Recommendation that there should be two separate allowances sufficient to enable Member to employ both a full-time secretary and part-time research assistant

i. secretarial allowance - maximum £5,500

ii. research allowance - maximum £1,250

(Increase £2,150. Maximum cost in full year £1,365,250)

Payments to be made direct to secretaries or research assistants by Fees Office on behalf of Members (paragraph 18)

Redundancy arrangements for secretaries

No recommendation on provision for redundancy payments as it is believed that the cases where cost will be an onerous burden on MPs will be few (paragraph 24).

Pension arrangements for secretaries

Considered inappropriate to reflect cost to MP of contributing to an occupational pension scheme outside State scheme as costs likely to vary and no yardstick available to assess the extent to which these costs would be reasonable (paragraph 26).

Payment of claims against the secretarial allowance during a period of dissolution

Considered that secretarial expenses incurred during dissolution should as now be met from MP's pocket or party funds. Technically the member no longer represents the constituency from date of dissolution and secretarial allowance relates to constituency work (paragraph 28).

Employment of secretaries by the House

Suggestion that House might reconsider the question of secretaries being employees of the House rather than of MPs. Considered to be to the mutual benefit of secretaries and MPs. (paragraph 30).

(Cost unquantifiable but would exceed cost of secretarial allowance)



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THE PARLIAMENTARY PENSION SCHEME

Rate of accrual

Considered that present accrual rate is satisfactory (paragraph 43).

Transferability

Suggestion that in the longer term, consideration should be given to extending the present limit of 12 months within which a Member may decide whether or not to transfer occupational pension rights into the Parliamentary scheme (paragraph 45).

Former Members who left before October 1964

Suggestion that the constitution of the Members Fund be changed to allow former Members without service at October 1964, and their dependents, to a measure of benefit as of right (paragraph 50).  
(Cost small.)

Members who left on or after October 1964 and before August 1978

Conclusion that no improvement in amount of credit would be appropriate (paragraph 52).

OTHER PARLIAMENTARY ALLOWANCES AND FACILITIES

Severance arrangements for MPs

Recommendation that the basic severance payment to remain at 25% of annual salary, but to be increased according to a sliding scale for members over 50 years with more than 10 years service.  
(paragraph 62). (Cost unquantifiable.)

General office equipment

Conclusion that the new separate allowance recommended in TSRB2 for office equipment should not now be introduced (paragraph 66).

Surgery costs

Suggestion that matter should be taken into account when Houghton Report on financial support for parties is considered  
(paragraphs 68).

Members' travel

All travel on Parliamentary business in UK should be reimbursed, and not just home/Westminster/constituency travel (paragraphs 73 and 74).  
(Cost unknown but might be about £2m on the basis of doubling of present costs).

Travelling expenses of spouses attending official functions

The 15 vouchers currently available to spouses for travelling to Westminster is considered adequate. No case is seen for further arrangements, except that car mileage allowance should be made an



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alternative to rail vouchers. No special facilities should be introduced for Peers' spouses (paragraphs 79 and 81). (Cost fairly small.)

Support allowance for Ministers in the Lords

Recommendation that up to £1000pa should be available towards cost of secretarial assistance needed to deal with non-Departmental correspondence. No further support allowance - eg for maintaining London home - recommended. Arrangement for claiming up to £700 PEA to cease with introduction of new allowance (paragraph 89). (Cost based on present number of Lords Ministers and assuming £700 PEA was phased out = £6,300 until June 1981, £21,000 thereafter.)

Salary link

Recommendation that the salary of Members should be reviewed with frequency with a reassessment of the Members' job taking place every 4 years. Recommendation against any link with professions on grounds of unsuitability. However, view repeated that if Parliament resolves in favour of a link, then updating by reference to New Earnings Survey would be least objectionable course (paragraph 98).

TOTAL QUANTIFIABLE COST PER ANNUM (approx) £3.4m.



On 23 October 1978, the Review Body on Top Salaries was invited by the Prime Minister to review and make recommendations on:

- (i) the level of salary of Members of the House of Commons, including the question of a salary linkage;
- (ii) the arrangements for severance pay for Members of the House of Commons;
- (iii) the scope and level of the Members' secretarial allowance, with reference to the question of providing severance pay and pensions for secretaries;
- (iv) the levels of salary of Ministers and other office holders;
- (v) the pension position of former Members of the House of Commons who left the House before 2 August 1978;
- (vi) the rates of the Peers' expenses allowance;
- (vii) the scope for and level of an allowance towards the cost of running constituency 'surgeries', and
- (viii) the scope for and level of an allowance for travelling and subsistence for Peers' and Members of the House of Commons' spouses to attend official functions.

Items (i), (iv) and (vi) were dealt with in Report No 12 which also included an interim recommendation on the level of the Members' secretarial allowance. The remaining items are dealt with in this report. Subsequently two further items were added:

- (ix) the question of a support allowance for Ministers and other office holders in the House of Lords analogous to the secretarial and other allowances paid in the House of Commons;
- (x) salary linkage, by considering further the possibility of relating the salary of a Member to one or more analogues in the professional field.

The members of the Review Body are:

The Rt Hon Lord Boyle of Handsworth, Chairman

Sir Harold Atcherley<sup>1</sup>

Sir George Coldstream, KCB, KCVO, QC

Lord Hirshfield

Andrew Leggatt, QC

Lord Plowden, KCB, KBE

Baroness Seear

The Secretariat is provided by the Office of Manpower Economics.

Sir John Clark resigned his membership in June 1979 and did not take part in this review.

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<sup>1</sup> Also Chairman of the Review Body on Armed Forces Pay.



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