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PRIME MINISTER

TSRB 13: PARLIAMENTARY PAY AND ALLOWANCES

The debate in the House of Commons last night on Parliamentary pay and allowances turned out to be less than wholly satisfactory for the Government. A study of the debate will show that the Government's case in support of its proposals was fully deployed, and I had also taken the precaution of ensuring Ministerial support. Nevertheless, amendments to the Government motions on the secretarial allowance and severance pay were carried, as was an amendment which would have the effect of introducing free travel in the UK on all journeys on Parliamentary business. The only Government motion to be carried was a relatively minor one on Members' spouses' travel.

The position on these amendments is that the Accountant in the House is not bound to act on them unless they carry the support of the Government. We therefore have to decide on our attitude to the amendments. I believe that to do anything other than accept them - subject to certain caveats - would be disastrous for our relations with the Party in the House and indeed would create great problems in the House generally. I believe it right to accept the will of the House on this matter and indeed I have already indicated that this might be our thinking.

In detail, the amendment on the secretarial allowance provides for a further sum of £675 pa (10% of the total allowance) to be available solely for payment into an approved scheme for a secretary's pension. I understand that the Accountant would, if the proposal is accepted, be able to put Members in touch with insurance companies providing competitive schemes, and he will also be able to ensure that the arrangements are made fully accountable by either directly paying the premiums from the allowance on Members' behalf, or by meeting claims from Members only on production of a premium renewal receipt. In so far as this addition to the allowance can be used by the Member only for pension provision I believe it to be acceptable. The maximum cost in a full year would be £428,000.

The amendment to the motion on severance payments for Members doubles the present severance payments and the improved payments recommended by the Review Body for those who lose their seat after serving for 10 years or more and who are aged 50 or over. I understand that the present arrangements are more advantageous in many cases than the payments available under the equivalent state scheme but they are not however as advantageous as those available in many public and private sector schemes for older and longer serving members. As a result of the amendment, while the scheme can be described as quite generous when compared with non-state schemes, particularly on the minimum payments, it cannot be said

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to be setting a standard above that of the best schemes in the private sector. Feelings in the House on this issue were deeply held and given the distinctive job insecurity of a Member, I propose that we should also accept this amendment.

The amendment giving effect to free travel presents a number of difficulties. You will recall that when we discussed this recommendation from the Review Body in Cabinet we turned it down on the grounds of the potentially very high costs involved. There are inherent difficulties in estimating what the additional cost will be but clearly it could be substantial. We will need to ensure that the Accountant is able to monitor expenditure and apply any necessary degree of accountability.

There are obviously a number of details still to be considered, but subject to your agreement I would propose to write to Cabinet colleagues along these lines at an early date.

I am copying this to the Chief Whip and Sir Robert Armstrong.

NStJS.

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5 March 1980

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