

Prime Minister

I have only one comment.  
The note for the P.M. is the note which like the handwritten notes I choose to draw. It is not the note for the P.M. of. We should specify the letter because it affects similar Review Body Reports notes of present which I have in receipt of pension remember me of last time.

You will no doubt want to look at the draft statement again next week. But are you broadly content?

Ref. A04849

PRIME MINISTER

Assuming you have finally decided to make an oral statement on Friday, I will get notes for supplementaries.

You asked me to put in hand the preparation of the announcement of the Cabinet's decisions on the pay of the Armed Forces, National Health Service Doctors and Dentists, the top salaries groups and Ministers and Members of Parliament.

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2. The attached draft has been cleared with the Departments concerned.

3. I also attach the schedules which show the new rates for Ministers and other office holders and for the TSRB groups. These will be for circulation in the Official Report. I understand that it will not be possible to include the new rates for Doctors and Dentists because these will have to be the subject of a consultation with the professions and that consultation cannot take place until after your announcement.

now received and in your box.

4. The draft assumes that you will have received the TSRB report on MPs and Ministers and that arrangements can be made for it to be published in time. It may not be necessary to publish it as a White Paper: it may be short enough to circulate in the Official Report. We hope to have the text early next week.

5. In Cabinet yesterday you spoke of making the announcement on Friday, 15 May as a routine answer to an arranged Parliamentary question. There are, of course, precedents for announcing decisions on individual Review Body reports in that way; but it is arguable that an announcement which covers reports from all the Review Bodies and does not accept all of them in full would be better made by means of an oral statement. If you decided that that was inevitable, presumably the announcement would be put off until Monday, 18 May or Tuesday, 19 May.

6. If the announcement is to be made by way of an oral statement, you will need notes for supplementaries; these will need to be prepared by the Departments concerned.

Monday can't be done because of P. & P. notes



7. I am sending copies of this minute and the draft statement (but not the schedules) to the Lord Chancellor, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Secretary of State for Defence, the Lord President of the Council and the Secretary of State for Social Services.

REA

ROBERT ARMSTRONG

8 May 1981

CONFIDENTIAL



REVIEW BODY REPORTS

Draft of an Announcement

I have received Reports from the Review Body on Armed Forces Pay, the Review Body on Doctors' and Dentists' Remuneration, and from the Review Body on Top Salaries both on top salaries and on the remuneration of Ministers and Members of Parliament. All these Reports are being published today, and copies are available in the Vote Office.

2. I should like to inform the House of the Government's decisions and proposals on the recommendations in these Reports.



The Armed Forces

3. The Review Body on Armed Forces Pay, which covers all combatant ranks up to and including Brigadier, has made its recommendations against a background of constraints on public expenditure, but also in the light of the Government's confirmed commitment to keep the pay of members of the Armed Forces at levels comparable with those of their civilian counterparts. The Government stands by that commitment, and will accordingly implement the Review Body's recommendations. These represent an increase of 10.3 per cent, or 9.4 per cent net, after taking account of increases in food and accommodation charges. The relevant cash limits will be adjusted to accommodate this increase.

NHS Doctors and Dentists

4. The pay of NHS doctors and dentists was brought fully up to date last year, when the Government implemented the Review Body's recommendations in full. The recommendations which the Review Body have made this year would add some 9 per cent to the present level of expenditure on doctors' and dentists' remuneration, though because the Review Body propose a deferred implementation date for the new level of target average net income for general dental practitioners the net cost in 1981-82 would be 8.3 per cent. The Government considers that, when most groups of public servants other than the police and the Armed Forces are being expected to accept increases in the cost of their remuneration within a cash limit of 6 per cent, it is bound to ask the doctors and dentists to accept a similar limitation. The Review Body's recommendations could be accommodated within cash limits only at the cost of significant compensating reductions in the expenditure on the National Health Service which would entail an unacceptable reduction in the standards of health care. Accordingly it will implement increases for NHS doctors and dentists within an average of 6 per cent. The scales and rates recommended by the Review Body will be scaled down accordingly: proposals will be put to the representatives of the medical and dental professions.

SECRET AND PERSONAL

Top Salaries

5. Last year the Government decided not to implement in full the Top Salaries Review Body's recommendations on the salaries of the judiciary, the higher Civil Service and senior officers of the Armed Forces. In view of that decision the Review Body has reached the conclusion that no useful purpose would be served by its recommending this year new salary levels beyond that which still remain to be implemented from last year. Instead, it has produced an interim report which urges the Government to implement its last recommendations in full and as soon as possible; and has given notice of its intention to submit a comprehensive report by 1 April 1982, containing recommendations on the salary levels which are appropriate at that date.

6. The Review Body points out that to implement last year's recommendations in full from 1 April 1981 would add about 12 per cent to the salary bill of the groups concerned for 1981-82. The Government believes that it would not be right to increase the salaries of these senior people by more than the amount which has been offered for the non-industrial Civil Service as a whole. The salaries of these groups will accordingly be increased by 7 per cent. This increase will, so far as the higher Civil Service is concerned and others affected by the 6 per cent cash limit are concerned, be accommodated within that limit. The salaries and rates to be implemented are set out in a schedule which is being circulated in the Official Report; so far as the judiciary is concerned, the distribution of the increases has been designed, in consultation with the Review Body, to move towards the relativities recommended by the Review Body's Sub-Committee which has examined those matters. The Review Body will be giving further consideration to the Sub-Committee's findings in its comprehensive report next year.

SECRET AND PERSONAL

Ministers and Members of Parliament

7. Ministers and Members of Parliament are unique in that they still have to receive the third and final stage of the increases recommended for them by the Top Salaries Review Body in 1979. Last year the Government felt compelled to propose, and the House approved, second stage increases which fell short of those recommended by the Review Body; the House also approved revised rates for the third stage, to come into effect in June 1981, which were less than the rates which had been recommended by the Review Body. These were embodied in a Resolution of this House and an Order in Council approved by each House. But my right hon. Friend the Member for Chelmsford, then the Leader of the House, undertook that the Review Body would be asked to review the third stage increase due in 1981, and he said that the Government would implement the results of the third stage review unless there were clear and compelling reasons not to do so.

8. In the event the Review Body has taken the same course with the pay of Ministers and Members of Parliament as with the other groups which come within their remit: it has not recommended new rates for this year, but has urged the implementation in full and as soon as possible of their recommendations for the third stage. It has, however, advised on the increase of the various Parliamentary allowances which are within its remit.

9. The Government proposes that the abated salary rates approved by the House last year to come into effect on 13th June 1981 - which reflected last year's circumstances - should be increased by 6 per cent. This would bring the Parliamentary salary up to £13,950 with effect from 13th June next. The proposed new rates of Ministerial salaries are set out in a schedule which is being circulated in the Official Report. The Government proposes that new rates of Parliamentary allowances should be implemented as proposed by the Review Body.

SECRET AND PERSONAL

Junior Ministers in the House of Lords

10. When I announced last year's increases in Ministerial salaries, I drew attention to the special problem which arises for Ministers of State and for Parliamentary Secretaries in the House of Lords, from the fact that they do not receive any salary specifically in respect of their Parliamentary duties. I told the House that the Government proposed to consider how the arrangements for their remuneration should be revised to take account of this problem.

11. The Ministerial and Other Salaries Act 1975 gives me discretion to fix the salaries of Ministers of State within a range which, at present extends from £16,250 to £19,300. The Government proposes that from 13th June 1981 this range should extend from £19,775 to £23,275. Ministers of State in the House of Commons, who also draw a Parliamentary salary, will continue to be paid at the bottom of this range; that will give them a salary 6 per cent higher than the third stage increase approved by the House last year. I propose to exercise my discretion to secure that Ministers of State in the House of Lords are paid at the top of the range. This will give them a Ministerial salary £3,500 higher than that of their counterparts in the House of Commons, who will be <sup>also</sup> drawing a Parliamentary salary of £8,130 ~~which~~ Ministers in the House of Lords do not ~~get~~ *get some more*.

12. So far as Parliamentary Secretaries are concerned, the 1975 Act prescribes a single salary (at present £12,500), but Section 4(2) of the Act provides that the salaries specified by the Act are maxima, and that lower salaries may be paid. Accordingly the Government is proposing that the maximum salary prescribed for Parliamentary Secretaries should be increased to £18,600. That will be the rate paid to Parliamentary Secretaries in the House of Lords; but the Government intends that Parliamentary Secretaries in the House of Commons should receive, in addition to their Parliamentary salary, a Ministerial salary of £15,100, which represents an increase of 6 per cent in the rate approved last year to come into effect in June 1981.

13. The Government also proposes that the salaries of Law Officers and Whips in the House of Lords and of the Leader of the Opposition in that House and of the Chairmen and Principal Deputy Chairmen of Committees should be set £3,500 above the third stage levels as approved last year and increased by 6 per cent. The proposed rates are set out in the schedule to be circulated in the Official Report.





SECRET AND PERSONAL

Implementation

14. The new rates for the Armed Forces (including senior officers), NHS doctors and dentists, the judiciary, and the higher Civil Service will be implemented with effect from 1st April 1981. The House will be invited to approve Resolutions and an Order in Council implementing the proposals for Members of Parliament, Peers and of Ministers.