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10 DOWNING STREET

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THE PRIME MINISTER

15 May 1981

Thank you for your letter of 7 May with which you enclosed the 17th Report of the Top Salaries Review Body. I am most grateful to you for producing this report so speedily.

I will be announcing on 15 May the Government's decisions on both the 16th and 17th Reports of the Review Body.

In Report No. 16, the Review Body urged the Government to implement in full and as soon as possible their 1980 recommendation on the salaries of the judiciary, the higher Civil Service and senior officers of the Armed Forces. The Government naturally gave the most serious consideration to this recommendation, but noted that to implement it would add about 12% to the salary bill of the group concerned for 1981-82. We felt unable to increase the salaries of these senior people by more than the amount that has been offered to the non-industrial Civil Service as a whole. We have decided accordingly that the salaries of these groups should be increased by 7%. In the case of the higher Civil Service and senior officers the increase will be a flat 7% for all grades or ranks. For the judiciary we will distribute the 7% in accordance with the advice set out in your letter of 28 April to Sir Robert Armstrong.

The Review Body also urged the implementation in full of their 1980 recommendations on the salaries of MPs and Ministers. The Government consider that it would be fair and reasonable to propose to Parliament that these groups should receive a 6% increase this year on the salaries already agreed to come into effect on 13 June 1981. This would be in line with what has been offered

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to many other public sector groups. A 6% increase will in fact put the salaries of MPs and most Ministers (though not Cabinet Ministers) slightly above the rates recommended as appropriate by the Review Body in 1980: for example it will give MPs £13,950. In taking this decision the Government were influenced by the Review Body's view that the 1980 rates should be reached as soon as possible. However as these rates were the ones that you felt were appropriate last year, I hope that we were not out of line with the spirit of the Review Body's views in deciding that it was acceptable to go a little beyond the 1980 rates for the 1981 settlement.

We accept the Review Body's recommendations for supplementary provision, pro rata to the secretarial and research allowance, where a Member of Parliament continues to pay his secretary or research assistant for a period of absence of more than four weeks and needs to secure temporary help, and the recommendation that the secretarial allowance should continue during periods of dissolution. As to the amounts of the Parliamentary allowances, the Government feel that, when pay increases for other groups of public servants are being held within cash limits of 6%, and Members of Parliament themselves are being asked to limit their own salary increased to 6% of the rates approved last year, increases in Parliamentary allowances should be kept within the same limit, and we shall propose accordingly to Parliament.

Although not relating to a point covered in your 17th Report, you will wish to be aware of a further decision by the Government on Ministerial salaries that will be announced on Friday. In announcing last year's increases in Ministerial salaries, I drew attention to the special problems which arise for Ministers of State, Parliamentary Secretaries and other office holders 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 of Commons that the Government would consider how the arrangements for their remuneration should be revised to take account of this problem. We now propose to make arrangements for the Ministerial salaries of Ministers of State, Parliamentary

Secretaries and other office holders in the House of Lords to be increased by £3,500 over and above the increase of 6% for Ministers in general. This addition to their remuneration, in lieu of a Parliamentary salary, is rather less than half the amount of the Parliamentary salary payable to Ministers in the Commons.

Although the Government has not felt able to implement all of the Review Body's recommendations this year, you can be assured that we place the highest value on your advice and we are very grateful for the work you have done.

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The Lord Plowden, K.C.B., K.B.E.