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CABINET

REVIEW BODY REPORTS

Note by the Secretary of the Cabinet

The Cabinet has to consider what action should be taken in relation to the recommendations in the following Review Body Reports which have recently been submitted to the Prime Minister:

i. The Armed Forces Pay Review Body (AFPRB) Report

This recommends with effect from 1 April 1983 an average increase of 7.2 per cent for the armed forces up to the rank of Brigadier and equivalent.

ii. The Doctors' and Dentists' Review Body (DDRB) Report

This recommends with effect from 1 April 1983 an average increase of 6 per cent over the DDRB's 1982 recommended figures for National Health Service doctors and dentists, together with changes in supplementary payments to take account of the hours worked by junior hospital doctors and dentists which would raise the average increase for the whole group by a further 1 per cent; in addition the DDRB strongly recommend that the abatement originally made of their recommendations in 1981, which currently amounts to 2.7 per cent, should now be made good.

iii. The Top Salaries Review Body (TSRB) Report

This recommends with effect from 1 April 1983 an average increase of 6.9 per cent over the TSRB's 1982 recommended figures for the higher Civil Service (Under Secretaries and above), senior officers in the armed forces (Major General and equivalent and above) and the judiciary; in addition the TSRB strongly recommend that the abatement of their 1982 recommendations, which currently amounts to slightly less than 5 per cent, should now be made good.

iv. The Top Salaries Review Body (TSRB) Report on Parliamentary Pay and Allowances and Ministerial Salaries

This recommends increases of 30.9 per cent (from £14,170 to £19,000) in the salary of MPs and increases ranging from 28.3 per cent for Parliamentary Secretaries to 47 per cent

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for Cabinet Ministers. It also makes proposals about the secretarial and research allowance for MPs; the severance pay and pension arrangements for MPs, including the accrual rate and the minimum retirement age; the rates of the Peers' expenses allowances; and the secretarial allowance for Ministers and other paid office holders in the House of Lords.

2. A summary of the salary recommendations relating to the main ranks, grades or office holders is at Annex A.

3. Ministers directly concerned meeting under the Prime Minister's chairmanship have considered these recommendations. Their conclusions and proposals can be summarised as follows:

i. The AFPRB Report should be implemented in full from 1 April 1983, in line with the Government's past practice and commitment to maintain full comparability of servicemen's pay with that of their civilian counterparts. The annual net cost of implementing the recommendations in 1983-84 is estimated at £165 million; the Secretary of State for Defence is discussing with Treasury Ministers the implications of the additional cost for cash limits.

ii. The DDRB's recommended increase for the current year (6 per cent overall, plus a further 1 per cent in respect of supplementary payments for junior hospital doctors and dentists) should be implemented from 1 April 1983; and the 2.7 per cent abatement standing over from last year should be made good before the 1984 DDRB review, but from 1 January 1984 in order to ease the costs within the current financial year. In deciding to recommend that the abatement should be made good before the next review, Ministers had regard to:

a. the DDRB's statement that "... it would be difficult to reconcile failure to implement [their recommendations] in full for a third successive year with an independent Review Body system";

b. the probability that, if the abatement was not made good, the DDRB would resign and that the doctors and dentists would no longer have confidence in the Review Body system; and

c. the danger of reopening the issue of future pay arrangements for the nurses who had been offered a review body on the model of the DDRB.

Leaving aside the supplementary payments for junior hospital doctors and dentists, the increase on the 1983-84 pay bill, including the effect of restoring the abatement from 1 January 1984, is estimated at 6.7 per cent. The annual cost of implementing the recommendations in 1983-84 is estimated at £128 million; the Secretary of State for Social Services is discussing with Treasury Ministers how far the additional cost can be accommodated within cash limits.

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iii. The higher Civil Service, senior service officers and the judiciary should be dealt with in the same way as the doctors and dentists: in other words, the TSRB's recommended increase of 6.9 per cent for the current year should be implemented from 1 April 1983, and the TSRB abatement standing over from last year should, like the DDRB abatement, be made good from 1 January 1984. In deciding to recommend that the abatement should be made good before the next review Ministers had regard to the Prime Minister's statement of 12 May 1982, in which the Government acknowledged that there were sound management reasons for bringing these salaries up to date quickly and for keeping them up to date in future, justified the abatement by the need to abate the DDRB increases, and recognised that the abatement would be one of the factors to be taken into account by the Review Body in the course of its next review. The average increase for 1983-84, including the effect of restoring the abatement from 1 January 1984, is estimated at 8.1 per cent. The cost of implementing these increases in 1983-84 is estimated at £4.9 million, and therefore Departments should be able to absorb them within cash limits on the same basis as the additional cost of the main Civil Service pay settlement.

iv. In relation to the TSRB Report on Parliamentary pay and allowances, though it could be said that the recommended £19,000 for MPs was not out of line with the figure of £12,000 which had been recommended by the TSRB and accepted in principle by the Government in 1979, the recommended percentage increases for MPs and Ministers are extremely high, and there are many non-salary recommendations which will require lengthy and careful study (for example that the pension accrual rate should be set at 1/50th rather than 1/60th of pensionable salary). The Leader of the House was asked on 5 May by Mr Edward du Cann MP to consult opinion widely in the House before the Government came to a conclusion on the Report. Moreover, although the Select Committee on Members' Salaries expressed the view that a major review of MPs' salaries should take place in the last year of a Parliament and be settled by the old Parliament, they recognised "... that there would not be great harm if decisions on occasion had to be left to the new Parliament". The proposal is, therefore, that the Report should be published in the week ending 13 May, but that the Government should not announce any conclusions and should say that, as the Leader of the House has already indicated, the Government acknowledges the need to consult widely in the House before reaching conclusions. Ministers thought it undesirable, however, that no view should be expressed about the exceptionally high increases recommended for Cabinet Ministers, and agreed that the Cabinet should be invited to authorise the Prime Minister to make it clear that the Cabinet regarded the increases proposed as far too large and did not intend to accept increases of anything like this amount.

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4. In relation to the three Reports which included a proposed increase for the current year as compared with last year, Ministers noted that this was in the range of 6 to 7 per cent, somewhat higher than the current level of settlements in the economy as a whole (just under 5½ per cent). They therefore agreed that the Government would need to consider, in good time before the 1984 round of Reports, how to ensure that the Review Bodies' recommendations took full account of the Government's policies relating to public service pay. This would be made easier if, in accordance with their recommendations, the abatements carried over from previous reviews were made good from 1 January 1984, since the reviews dealing with doctors and dentists and the top salary groups in 1984 would then, for the first time for several years, be starting from a clean slate with no back-log to make up.

TIMING AND FORM OF ANNOUNCEMENT

5. The fact that the Review Body Reports have been received has already been announced, and it has been promised that the Report on Parliamentary pay and allowances will be published in the course of this week. The Ministers who met under the Prime Minister's chairmanship therefore recommend that all the Reports should be published on the afternoon of Thursday 12 May; that the Prime Minister should announce the Government's views on all of them the same afternoon; and that this announcement should take the form of a Written Answer as in May 1982.

6. A draft Written Answer in line with the recommendations of the group of Ministers set out in paragraph 3 above is attached at Annex B.

ISSUES FOR THE CABINET

7. The Cabinet is invited to consider:

i. the recommendations in respect of the four Review Body Reports set out in paragraph 3 i. to iv. above;

ii. depending on the decisions reached on those recommendations, the draft Written Answer at Annex B for issue on the afternoon of Thursday 12 May.

Signed ROBERT ARMSTRONG

Cabinet Office

9 May 1983

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REVIEW BODY REPORTS 1983:
 MAIN SALARY RECOMMENDATIONS

ARMED FORCES PAY REVIEW BODY (AFPRB)

The proposed range of increases of annual military salaries is:

for officers:	3.9 - 9.9 per cent
for warrant officers and senior NCOs:	6.7 - 9.2 per cent
for corporals and below:	6.1 - 8.3 per cent

The increases for selected ranks are:

	£	
	<u>now being paid</u>	<u>proposed</u>
Brigadier and equivalent	22,750	25,001
Captain and equivalent	9,574 - 11,129	10,453 - 12,144
Sergeant and equivalent	7,380 - 8,720	7,895 - 9,439
Private and equivalent (I)	5,212 - 6,442	5,552 - 6,976

DOCTORS' AND DENTISTS' REVIEW BODY (DDRB)

The recommended levels of remuneration for various grades are as follows:

	£	
Hospital doctors		
House officers	6,720 - 7,850	(excluding earnings from additional sources)
Consultants	18,900 - 24,260	" "
General medical practitioners	20,670	(intended average net remuneration)
General dental practitioners	17,890	(target average net income)

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TOP SALARIES REVIEW BODY (TSRB): REPORT ON HIGHER CIVIL SERVICE, SENIOR SERVICE OFFICERS AND THE JUDICIARY

The recommended increases for particular ranks and posts are:

	£ recommended for 1 April 1982	£ now being paid	£ recommended for 1 April 1985
<u>Higher civil service and senior service officers</u>			
Secretary of the Cabinet, Permanent Secretary to the Treasury, Field Marshal and equivalent	45,000	42,000	48,000
Permanent Secretary, General and equivalent	40,000	37,750	42,750
Second Permanent Secretary	37,000	35,000	39,500
Deputy Secretary, Lieutenant General and equivalent	32,000	30,250	34,250
Under Secretary, Major General and equivalent	26,000	25,000	27,750
<u>Judiciary (selected posts)</u>			
Lord Chief Justice	56,000	52,500	60,000
Master of the Rolls, Lord of Appeal	51,500	48,250	55,000
Lord Justice of Appeal	48,500	45,500	52,000
High Court Judge	45,000	42,500	48,000
Circuit Judge	29,000	27,750	31,000
Chairmen, Industrial Tribunals, Metropolitan Magistrates, Provincial Stipendiary Magistrates, County Court Registrars etc	25,000	24,000	26,750

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TOP SALARIES REVIEW BODY: REPORT ON PARLIAMENTARY PAY AND ALLOWANCES

The main salary recommendations are:

	<u>now</u>	<u>proposed</u>
MPs	14,510	19,000
Parliamentary salary for Ministers who are members of the House of Commons	8,460	11,000
Ministers and other office holders (including Parliamentary salary		
Prime Minister	46,660 (notional)	65,000
Lord Chancellor	52,500 (notional)	62,000
Mr Speaker	38,785	55,000
Cabinet Minister	37,410	55,000 (Commons) 49,500 (Lords)
Minister of State		
(Commons)	29,035	38,000
(Lords)	24,200	32,500
Parliamentary Secretary		
(Commons)	24,160	31,000
(Lords)	19,350	25,500
Attorney General	39,160	55,000
Leader of the Opposition	35,035	50,000

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ANNEX B

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DRAFT WRITTEN ANSWER

To ask the Prime Minister whether she will make a statement about the reports of the Review Bodies on the pay of the armed forces, doctors and dentists, top salary groups, and parliamentary pay and allowances.

The reports of the Armed Forces Pay Review Body, the Doctors' and Dentists' Review Body and the Top Salaries Review Body on certain top salary groups and on parliamentary pay and allowances have been laid before the House today and [have been] [will be] published as Command Papers [shortly]. Copies [in typescript] are now available in the Vote Office. The Government is grateful to the members of the review bodies for these reports and for the time and care which they have put into their preparation.

The report of the Armed Forces Pay Review Body recommends new rates of pay for Service men and women applicable from 1 April 1983 which will amount on average to 7.2 per cent of the pay bill for the rates currently in payment. The Government accepts the report, and the necessary steps to implement the new rates of pay, and inform servicemen of the details of the report, will be taken as soon as possible.

The report of the Doctors' and Dentists' Review Body recommends with effect from 1 April 1983 increases in the pay of doctors and dentists which the Review Body estimates would add 6 per cent to the pay bill over and above the costs of implementing in full their recommendations for 1 April 1982; in addition they recommend changes in certain

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supplementary payments to take account of the hours worked by junior hospital doctors and dentists.

The House will recall that since 1981 there has been an abatement of the review body's recommendations for doctors and dentists which now amounts to 2.7 per cent of the pay bill. The Review Body has strongly urged that this abatement should now be made good. The Government accepts the recommended increases for this year with effect from 1 April 1983, and also agrees that the abatement should be made good before next year's Report. In order to ease the cost within the current financial year this will be done with effect from 1 January 1984.

The scales and rates resulting from these decisions will be promulgated as soon as possible.

The report of the Top Salaries Review Body on the salaries of the higher civil service, senior officers in the Armed Forces and the judiciary recommends with effect from 1 April 1983 average increases of 6.9 per cent over their 1982 recommended figures. The House will recall that the Review Body's 1982 recommendations for these groups were abated by up to one-third. The Review Body now recommend additional increases to make good this abatement. The Government accepts the recommended increases for this year with effect from 1 April 1983. In line with the decision reached on doctors' and dentists' remuneration, the Government will also implement the additional increases to make good the abatement with effect from 1 January 1984. In the case of the Civil Service and the Armed Forces the increases represent less than 0.05 per cent of their combined pay bills. The scales and rates resulting from these decisions will be

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promulgated as soon as possible.

The Top Salaries Review Body report on Parliamentary pay and allowances makes recommendations relating to: the salary of Members of the House of Commons; the salaries of Ministers and other office holders; the level and structure of the secretarial and research allowance for MPs; the severance pay and pension arrangements for MPs, including the accrual rate and the minimum retirement age; and the rates of the Peers' expenses allowances and the secretarial allowance for Ministers and other paid office holders in the House of Lords. So far as the proposed salaries for Cabinet Ministers are concerned, members of the Cabinet take the view that the increases proposed are far too high, and do not intend to accept increases of anything like this amount. For the rest, as my right hon, Friend the Lord President of the Council and Leader of the House has already made clear, the Government acknowledges the need to consult opinion widely in the House before coming to a conclusion on these recommendations.

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