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PRIME MINISTER

*Parliament: -  
Remuneration of junior Ministers  
in the House of Lords : July 80.*

The Pay of MPs, Ministers and Junior Ministers in the House of Lords

(C(81) 13)

This memorandum by the Lord President of the Council and the Chancellor of the Duchy of Lancaster falls into two distinct parts: first, the salaries to be paid from July to MPs and Ministers and, second, the special problem of the pay of junior Ministers in the House of Lords. I suggest that you should divide the discussion accordingly and the following brief is on that basis.

The Pay of MPs and Ministers

2. Paragraphs 2-4 of C(81) 13 summarise the increases in MPs' pay since the Top Salaries Review Body's report of 1979 and the commitments given to further increases and reviews. The Chairman of the TSRB has asked whether you would wish the Board to proceed with the review, which you formally invited them to undertake on 8th August 1980, of MPs' and Ministers' pay for 1981. In their paragraph 6, the Lord President and the Chancellor of the Duchy of Lancaster recommend in favour of an approach similar to that adopted for the other groups within the TSRB's remit: a review not recommending new salary rates this year, but urging full and early implementation of last year's recommendations. The TSRB would, however, advise on the updating of Parliamentary allowances.

3. If it is agreed that the Review Body should be encouraged not to recommend new rates of pay this year, the Cabinet will wish to form a view on the five options listed in paragraph 8 of C(81) 13. The Lord President and the Chancellor of the Duchy of Lancaster recommend option D - that is, to increase the figure of £13,150 fixed last year for July 1981 by 6 per cent to £13,950, giving a total increase of about  $18\frac{3}{4}$  per cent on this year's salary but with the new increase (on top of the staged increase) only 6 per cent and so in line with the figure for the public services generally. The most plausible alternative is option C - implementing the third stage figure of £13,750 recommended by the

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TSRB in 1980 - but this would encourage other TSRB groups to argue that they too should be given the rates recommended for them in 1980.

4. It is recommended that Ministers should be treated on all fours with MPs. If the decision were in favour of option C, you, and no doubt the Lord Chancellor, would want to make it clear that, though your notional salaries would be set at the rates recommended by the TSRB, you would in practice draw only the same amount as the rest of your Cabinet colleagues.

5. A final decision is not needed yet, and indeed should not be taken until Cabinet has looked at the position of the other TSRB groups and decided what should be the general percentage increase for them - the TSRB will be reporting on the other groups later this month and Cabinet can then look at the issue again in May.

#### Handling

6. After the Lord President has introduced this part of the paper you might ask the Chancellor of the Duchy of Lancaster and the Chief Whip to comment on the likely reaction of MPs. The Chancellor of the Exchequer will wish to comment on the implications for other TSRB groups and the timing of decisions, and the Secretary of State for Social Services may wish to say something on the report which will be due shortly on the doctors and dentists.

7. In discussion you will need first to decide whether the Cabinet agrees with the way in which it is proposed to deal with the TSRB review for 1981. If that is agreed, you will wish to run through each of the options listed in paragraph 8 but focusing in particular on the recommended option D and the alternative of C. You will wish to discover whether the Cabinet agree that the preferred option should also apply to the pay of Ministers. The decision on the options will have to be subject to further consideration when Cabinet have decided on the percentage increase to be applied to the other TSRB groups.

#### Conclusion

8. You will wish to sum up this part of the discussion with reference to paragraph 16a., b. and c. of C(81) 13 and to record any provisional views on the timing of the announcement.

Remuneration of Junior Ministers in the House of Lords

Background

9. The level of remuneration of junior Ministers in the House of Lords came to Cabinet as an issue in the course of considering the recommendations by the TSRB on the pay of Ministers and MPs last summer. The Cabinet then agreed that there was a case for paying junior Ministers in the House of Lords more but also agreed that it was not possible to do anything about it at that time. When you announced the decisions on the TSRB Report, you made the statement quoted in paragraph 11 of C(81) 13 that the Government proposed to consider how the arrangements for the remuneration of junior Ministers in the House of Lords should be revised to take account of the fact that they did not receive any salary specifically in respect of their Parliamentary duties.

10. Both at that stage, therefore, and since, the question before the Cabinet has been not whether these Ministers should receive more money but how the increase could be achieved. The matter has been to Cabinet twice on the basis of earlier papers from the Lord President. On both occasions (in November 1980 and January 1981) the Cabinet, while accepting the case for increasing the remuneration of junior Lords Ministers, favoured doing so by means of payment of allowances rather than by a straight increase in salary, especially since it was understood that such an increase would require primary legislation.

11. The search for an acceptable allowance, which would provide the requisite increase - agreed by the Cabinet to be £3,500 a year - has proved illusory. After the Lord President reported to you in this sense on 4th February you held a meeting with the Ministers most directly concerned, at which there was agreement on the general lines of the proposal now put by the Lord President and the Chancellor of the Duchy in their paper C(81) 13. The essence of this proposal is to use the flexibility given by the Ministerial and Other Salaries Act 1975 to provide higher salaries for Ministers of State and Parliamentary Secretaries in the Lords than in the Commons. So far as Ministers of State are concerned, the 1975 Act and the Orders in Council made under it already provide a range of salaries. The present range is from £16,250 to £19,300, the latter figure being

received only by the Parliamentary Secretary, Treasury. The Lord President now proposes that all Ministers of State in the Lords should be paid at the top of the range, with Ministers of State in the Commons remaining at the bottom.

12. As regards Parliamentary Secretaries, it is necessary under the terms of the Act to prescribe a single salary figure, but Section 4(2) allows for salaries below this figure to be paid. There is at present, due to the past vagaries of incomes policy, a difference of £150 between the salaries of Parliamentary Secretaries in the Lords and those in the Commons. The Lord President now proposes that the maximum prescribed salary should be increased to the level thought appropriate for Parliamentary Secretaries in the Lords while those in the Commons (the majority) should be paid £3,500 less.

13. These proposals appear to achieve the desired result without the need for primary legislation. Although he expressed misgivings at an earlier stage, First Parliamentary Counsel has now confirmed that he sees no difficulty about the propriety of what is proposed. There remains, of course, the presentational difficulty of increasing the salary of any group of Ministers in present circumstances, and the particular difficulty that you might be criticised for using your discretion under the 1975 Act, to provide for differential salary payments to Ministers in the two Houses as a means of avoiding primary legislation. But the discretion exists and the need to obtain and retain Ministers of adequate calibre in the Lords provides justification for its use.

14. The figure of £3,500 was decided upon because it was about half the Parliamentary salary now paid to Ministers in the Commons. Up to now it has been assumed that the differential of £3,500 should apply to both Ministers of State and Parliamentary Secretaries, although the amount is, of course, a higher proportion of the total salary of the latter. It would be possible, if the Cabinet so wished, to have different differentials for the two groups; but this seems a further and unnecessary complication, especially since changes have also to be made in the salaries of the office holders and Whips, including Opposition Whips, in the Lords.

Handling

15. You will wish to ask the Lord President to introduce this part of the joint paper. You may then wish to ask the Chancellor of the Duchy to confirm his agreement to what is proposed and for any views on the degree of opposition likely to be expressed to the proposals in the Commons. (The Government will, of course, be proposing for junior Ministers in the Lords salaries higher than those envisaged by the TSRB, in contrast to their treatment of the TSRB recommendation for MPs.) You may also wish to confirm that the Chancellor of the Exchequer regards the proposals as an acceptable part of the total "package" and to ask the Home Secretary for any comments.

16. The Lord President can explain, if necessary, why the problem could not be solved by way of allowances. In brief, the extent to which junior Ministers would benefit from either the subsistence element in the Peers' expense allowance or some version of the additional costs allowance for those maintaining two homes would be fortuitous and uneven. To attempt to disguise a salary increase as an allowance, even a non-taxable allowance, might be seen as disingenuous and has no apparent advantage over the course now proposed.

17. As regards timing, you will want to confirm that the Cabinet accepts the Lord President's view that these proposals can best be announced as part of a more general statement on new salary rates for Ministers. This means that a further "stalling" answer will have to be given to any further question on the subject in the House of Lords.

Conclusions

18. In summing up this part of the discussion, you will wish:-

- (1) To record whether the Cabinet agrees in principle to the detailed proposals in paragraph 13 of C(81) 13.
- (2) Whether those proposals should be announced as part of a more general statement on salary rates for MPs and Ministers (i. e. as discussed on the basis of the first part of the paper).
- (3) Invite the Lord President of the Council and the Chancellor of the Duchy of Lancaster to set in hand the necessary detailed arrangements to implement the Cabinet's decisions.

REA

ROBERT ARMSTRONG

8th April, 1981