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NOTE OF A MEETING HELD AT 10 DOWNING STREET ON TUESDAY 5 JULY 1983 AT 12.00 NOON
TO DISCUSS THE REPORTS OF THE TOP SALARIES REVIEW BODY

Present

Prime Minister
Lord President of the Council
Lord Chancellor
Chancellor of the Exchequer
Secretary of State for Defence
Lord Privy Seal
Chief Whip

Sir Robert Armstrong
Mr P L Gregson

The Prime Minister said that the purpose of the meeting was to consider what recommendations should be put to the Cabinet on Thursday 7 July about Report No 20 of the Top Salaries Review Body (TSRB) relating to MPs' pay and allowances and the salaries of Ministers and other office holders, and Report No 19 relating to top salary groups (senior civil servants, senior officers in the armed forces, and the judiciary).

MPs' pay

2. In discussion of MPs' pay it was reported that support on the Government side was likely to be insufficient to secure the certain passage of a Motion for an increase of 4 per cent. There was likely to be little or no support from the Members of the opposition parties and there would be likely to be an official Labour amendment calling for full implementation of the TSRB recommendations. Although there were advantages in the Government's being seen to press for an increase of only 4 per cent, there would be even greater disadvantages, both politically and in relation to the pay round, in a Government defeat on the issue. Even if a narrow victory were to be secured on this basis, there would be a degree of resentment among the Government's backbench supporters which would be unhelpful for the future. A Motion proposing an increase of 7 per cent gross (4 per cent net after allowing for the increased pension contribution) would probably not tip the balance of opinion far enough. The Government should however have a good prospect of winning if it put down a Motion for an increase in MPs' pay of 10 per cent gross (7 per cent net of the increased pension contribution).

Salaries of Ministers and other office holders

3. In discussion of Ministerial and other salaries, it was argued that there was much merit in weighting any increase in favour of junior Ministers. At present a Member suffered considerable financial loss when accepting junior Ministerial office, for example the loss of remunerative outside employment, and less favourable treatment in relation to the London allowance. No satisfactory solution was available for dealing with the latter problem. A higher percentage increase for junior Ministers than for MPs generally might however increase the difficulty of securing sufficient support for the Government's Motion on MPs' pay. The easiest solution might therefore be to propose an across the board increase for Ministers equivalent to that for MPs, ie 10 per cent gross, 7 per cent net. Although the increase for Cabinet Ministers was considerably larger in absolute terms than that for MPs, the abatement as compared with the 47 per cent increase recommended by the TSRB was greater than for junior Ministers and MPs.

Top salary groups

4. In discussion of the recommendations in TSRB Report No 19 relating to top salary groups, it was noted that there were advantages in the proposal considered by the Cabinet before the Election under which the current year increase of 6.9 per cent would be paid from 1st April 1983 and the 5 per cent abatement would be restored from 1st January 1984 making an increase for 1983-84 of 8.1 per cent. This was in line with the treatment of the recommendations of the Doctors and Dentists Review Body (DDRB), would get rid of the backlog before the next TSRB report, and could be defended in relation to the 10 per cent gross increase envisaged for MPs. Detailed questions relating to senior officers in the armed forces (for example the salaries of senior medical officers and the determination of salary for pension purposes) would need to be pursued bilaterally by the Secretary of State for Defence with the Chancellor of the Exchequer.

5. The Prime Minister, summing up the discussion, said that she would report to the Cabinet on Thursday 7 July that the group recommended as follows:

- i. that the pay of MPs should be increased by 10 per cent gross (7 per cent allowing for the 3 per cent increase for pension contributions) and that the non-pay recommendations in TSRB Report No 20 should be accepted;
- ii. that there should be an across the board increase in the salaries of Ministers and other office holders of the same percentage as that for MPs;
- iii. that the salaries of top salary groups should be increased by 6.9 per cent from 1st April 1983, with restoration of the 5 per cent abatement from 1st January 1984, making an increase for 1983-84 of 8.1 per cent.

5 July 1983

SUBJECT

originalce. Parliament Members,
MP's Pay Part 5.

9 to Notes, thank you
Mrs 5/7

SECRET

(PK)

Mr Alison and others
To see (The PM)
is very anxious that no
word of this should get out

MR SCHOLAR

I attach for the record a brief note of this morning's meeting. You may however prefer not to circulate it but to rely on the Prime Minister's report which she will be making to the Cabinet on Thursday morning (on the basis of a speaking note to be submitted by the Secretary of the Cabinet).

but I thought you

ought to be aware.)

Mrs 5/7

PK

P L GREGSON

5 July 1983

SECRET