

PO-CH/NL/0467 PTA

Part A.

Begins : 1/2/89  
Ends : 1/3/89

THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

PO CH | NL | 0467.  
PT.A.

Chancellor's (Lawson) papers:  
The Speaker of the House of Commons' official Entertainment.

DD's : 25 Years

14/2/96

PO CH | NL | 0467.  
PT.A.

*Is this really so?  
Yes, proposed different  
to fund. Pst  
knowledge*

FROM: MS D SEAMMEN  
DATE: 1 February 1989

CHIEF SECRETARY

cc Chancellor <sup>2nd</sup>  
Dame Anne Mueller  
Mr H Phillips  
Mr Kelly  
Miss Peirson  
Mr Watts  
Mr A M White  
Mr Bingham  
Mrs Wiseman  
Mr de Berker  
Mr M Lawson

*Ch/ This obviously makes sense in many ways. But you might note that the Speaker would in effect be £8,000 pa better off (the minute doesn't point this out explicitly) as he'd no longer have to find any entertaining from his own salary. This would of course also imply that the Speaker (and his successors) would have less reason to restrain their entertaining costs. But that will be a matter for the Clerk of the House, the Acctng Officer for the Commission vote. OK for CS to minute PM?*

**MR SPEAKER'S OFFICIAL ENTERTAINMENT**

1. You will recall that Michael Lawson and I discussed with you on 5 December last year, the proposal of the Speaker's Secretary to streamline Mr Speaker's official entertainment.

2. Mr Speaker has agreed that the draft paper attached be put before the House of Commons Commission for consideration, subject to the proposals contained therein being acceptable to the Treasury. This submission sets out the background and recommends that the proposals be agreed.

Background

3. The salary of the Speaker is currently £36,209, paid from the Consolidated Fund. He is also entitled to a reduced Parliamentary Salary of £18,148 from the House of Commons Vote. His total salary is therefore £54,357, of which £14,000 is tax free under Section 191 of the Income and Corporate Taxes Act 1970 (amended by Section 4(1) of the Minister for the Civil Service Order 1971) in recognition for the expenses incurred wholly, exclusively and necessarily in the performance of his duties.

4. From 1965 to 1979 the Speaker received the same salary as a Cabinet Minister in the House of Commons. Since 1980, he has received a slight lead over a Commons Cabinet Minister for reasons which we have been unable to determine from our files. The tax free element had in the past been determined as a fraction of the salary (usually 4/5ths). However, from 1965 the tax free element

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marked time at £4,000 while the salary increased. In 1977 it was increased to £6,500, in 1979 to £7,000 and in 1980 to £11,000. The tax free element was last increased in 1984 based on the increase in inflation between 1980 (when it was last increased) and 1984. The current allowance is £14,000 which would be £16,978 if up-rated to December 1988 prices. Annex A provides details of the Speaker's salary and tax free allowance.

#### The present entertainment arrangements

5. At present the cost of Mr Speaker's entertainment is covered in various ways:

(i) Costs are met from the amount provided in Estimates for Mr Speaker's entertainment (currently £6,000);

*The Speaker definitely wishes to end this.* //

(ii) Subsidies from the Refreshment Department since they do not charge for some functions at full cost;

(iii) Tax free element of salary;

(iv) He also pays his housekeeper a salary (part of which is related to upkeeping his official residence).

Taking a typical year's <sup>full, ie adding back subsidies</sup> cost of entertainment as £20,450 (ie. as specified in the annex to the draft paper), £6,000 would be met from the vote which would leave £14,450 for the Speaker to fund from his tax free element of salary. This implies £5,600 is funded from the tax saving (ie. 40 per cent of £14,000), leaving £8,850 for the Speaker to fund from his salary.

6. It is clearly sensible that the entire cost of Mr Speaker's official entertainment should fall wholly on the House of Commons Commission Vote. This would make it easy to administer and account for.

The proposals

7. The Speaker proposes to:

(i) Transfer the cost of his official entertainment expenses to Class XX A Vote 1, which is by virtue of the House of Commons Administration Act, entirely the responsibility of the Commission and is presented to Parliament by Mr Speaker on behalf of the House of Commons Commission. These expenses would be paid out as and when they occur.

(ii) Revert to paying full price for all functions.

(iii) Forego his tax free element of salary.

8. He has stressed that there will be no change in the nature or extent of his entertainment and the measures are simply designed to put its regulation onto a more appropriate footing.

9. In our informal discussions with the Speaker's Secretary we suggested that as a quid pro quo, we would propose that Mr Speaker should revert to receiving the same salary as a Cabinet Minister in the Commons (£34,479), thus foregoing £1,730 of his salary. This would not affect his pension rights if he chose to draw the lesser salary, and in time, we would set the salary at the same level as a Cabinet Minister in the Commons in a future Ministerial and other Salaries Order, so that it would be effective for a future Speaker.

The Commission Vote

10. If a decision to transfer the provision to the Commission Vote is taken by the Commission on 20 February, the Speaker's Secretary has assured us that the expenditure could be accommodated within Class XXA Vote 1 with no increase in the Commission's claim on the Reserve (currently £1,027,000). There would however be some saving to the Consolidated Fund, if Mr Speaker chooses to accept a Cabinet Minister's salary.

Timing

11. The Speaker has requested that the paper be put to the Commission to discuss at their next meeting on 20 February. The Commission consists of John Wakeham, Frank Dobson, Barney Heyhoe, Peter Shore and Alan Beith.

12. We need to clear this internally and the Chancellor or yourself will need to agree the proposals with the Prime Minister. Mr Wakeham (in his capacity as Leader of the House) has been informed of the proposal and is, we believe, content.

Recommendation

13. The proposal has advantages all round. For Mr Speaker, it resolves a situation full of ambiguities with which he is increasingly uncomfortable. For the House of Commons, it allows proper transparency, audit and control of a discrete item of expenditure of which it currently controls only part; and it is a further step towards a proper commercial attitude on the part of the Refreshment Department. For the Treasury and the Inland Revenue, it relieves us of the obligation to review and increase periodically a tax-free element of salary on grounds which would objectively be hard to defend; the fact that Mr Speaker is not a member of the Government, and that part of his entertainment is funded in other ways, makes it uncomfortable for us too. We can also take the opportunity to link Mr Speaker's salary to that of a Cabinet Minister and thereby avoid any unfortunate implications of favouritism.

14. If you and the Chancellor are content, we will provide you with an draft minute along these lines to the Prime Minister.

15. ST3 are content.



MS D SEAMMEN

MR SPEAKER'S OFFICIAL ENTERTAINMENT

Note by Mr Speaker's Secretary

This note, submitted with Mr Speaker's authority, describes the present arrangements for meeting the costs of the Speaker's official entertainment. It suggests that the time has come to put them on to a more satisfactory footing.

Background

2. A large number of functions (mainly dinners and receptions), at which the Speaker is host, are held in Speaker's House of which the costs are met by an outside sponsoring body. These are mainly functions related in some way to the Speaker's Parliamentary or constituency connections. Typical examples would be a dinner for a visiting Speaker (met by the FCO) or for a visiting IPU Delegation (met by the IPU). The existing arrangements for meeting the costs of functions of this sort are satisfactory and they are not the subject of this note.

3. However, there is a significant amount of other entertainment which the Speaker undertakes entirely by virtue of his office. It is the arrangements for meeting the costs of these functions, as they have grown up over the years, which the Speaker considers should now be reviewed by the Commission, and, if the Commission agrees, put on a more regular basis.

The Present Arrangements

4. At present, the cost of this entertainment is covered in various ways. For some functions, the costs are met directly from the amount provided in the Estimates for the Speaker's entertainment (currently £6,000). Some functions are in effect subsidised, since the Refreshment Department does not charge for them at full cost. In addition, part of the Speaker's salary is tax-free because of the expenditure which he necessarily incurs in the performance of the duties of his office. (The

amount is not related entirely to the Speaker's expenditure on entertainment; this is the main element, but part is attributable to the cost of his house-keeper, since the Speaker's accommodation is used to some extent for official purposes).

5. These arrangements have the following disadvantages:

- (i) they do not represent a policy decision by the Commission as to the amount which should be spent on the Speaker's official entertainment;
- (ii) the true cost of the Speaker's official entertainment does not appear on the face of the Estimates nor in the Accounts;
- (iii) the Speaker has had, in effect, to negotiate a concessionary rate with the Refreshment Department for some of his official entertainment;
- (iv) the tax-free element of the Speaker's salary is determined by the Government (the Treasury or the Inland Revenue) in accordance with their own rules, which were not designed to recognise the Parliamentary situation.

The present position is unsatisfactory from the point of view of public accountability and it is unseemly that any Speaker should have to negotiate discounts with the Refreshment Department or tax allowances with the Government in order to meet any of the expenses which he incurs by virtue of his office.

#### Proposal

6. To remedy this situation, the Speaker would propose that:-
- (i) full provision for the costs of the Speaker's official entertainment expenses should be made in the Estimates under sub-head A.1 (Office of the Speaker);



- (ii) when this is done the Speaker's official entertainment should be charged at full cost;
- (iii) at the same time the Speaker's salary should be fully taxable.\*

It should, perhaps, be made clear that it is not proposed that any allowance for entertainment should be paid to Mr Speaker himself; the proposal is that the costs of the Speaker's entertainment should be met from the provision in the Estimates, as they are actually incurred. Expenditure would be authorised on my authority as Head of the Office (in consultation with the Accountant as necessary) although ultimate responsibility would, of course, rest with the Accounting Officer and the Speaker. Nor is it proposed that there should be any change in the nature or extent of the Speaker's entertainment; the proposal is simply to put its regulation on to a more appropriate footing.

7. If the Commission endorses the above proposals in principle, the Speaker would propose that the implications of proceeding in this way should be pursued with the Treasury. Subject to the timing and outcome of those discussions, it might be possible for an appropriate amount to be included in the 1989/90 Estimates; failing that, the aim would be to make the provision in the 1990/91 Estimates.

8. The Annexe to this paper illustrates the sort of expenditure which would be covered by the proposed arrangements.

P J Kitcatt

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\*It would be logical, if these proposals are agreed, for the Commission to approve a contribution towards the cost of the Speaker's house-keeper - see para 4 above.

MR SPEAKER'S OFFICIAL ENTERTAINMENT

In a typical year, the Speaker might undertake the following official entertainment for which the full costs would be as shown below:-

	£
(i) 10 major dinners (mainly for Members) @ approx £1,500	15,000
(ii) 5 minor dinners @ approx £750	3,750
(iii) Reception for State Opening	1,200
(iv) Drinks for Ambassadors etc	100
(v) Drinks for Members	400
	<hr/> £20,450 <hr/>

For Members' dinners, the Speaker's objective is that each Member and his or her spouse should dine with Mrs Weatherill and himself at least once. These dinners are popular and are intended, because of the opportunities they afford to Members to meet the Speaker and one another socially and privately, to make a contribution to the smooth running of the House. The Speaker sometimes takes the opportunity to include non-Members to whom he "owes" return official hospitality. The "minor" dinners also afford an opportunity to return hospitality or to thank an Ambassador or High Commissioner who have helped with the arrangements for an overseas visit, and their staff. Drinks are given to Ambassadors when, as frequently happens, they pay a courtesy call on the Speaker at lunch-time on taking up or relinquishing their appointment in the UK. Two drinks parties were arranged after the last General Election for new Members to meet the Speaker and one another, and a further party was given for Members retiring from the House. Clearly these would not normally be annual functions, but they would recur, even if only after each General Election. The Speaker also gives small parties for senior members of the staff of the House on their retirement.

SALARY OF THE SPEAKER OF THE HOUSE OF COMMONS 1832 to date

		Speaker Salary (1)	Tax free element (2)	Reduced Parliamentary Salary (3)	<u>Total</u>
		£	£	£	
1832		6000	6000	-	6000
1834	(4)	5000	4000	-	5000
1.10.1931	(5)	4000	3200	-	4000
1. 7.1934	(5)	4500	3600	-	4500
1. 7.1955		5000	4000	750	5750
1965		8500 (6)	4000	1250	9760
1972		13000 (6)	4000	3000	16000
1975	(7)	13000 (6)	4000	3700	16700
1976		13000 (6)	4000	3700	16700
1977		13000 (6)	6500	3908	16908
1978		14300 (6)	6500	4299	18599
1979		19650 (6)	7000	5650	25300
1980		24500	11000	7670	32170
1981		29150	11000	8130	37280
1982		30325	11000	8460	38785
1983		30797	11000	9543	40340
1984		31814	14000	10626	42440
1985		32851	14000	11709	44560
1986		33858	14000	12792	46650
1987		34875	14000	13875	48750
1988		35887	14000	16911	52798
1989		36209	14000	18148	54357

Notes

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- (1) Paid from the Consolidated Fund
- (2) Tax free element (currently under the provisions of Section 191 of the Income and Corporation taxes Act 1970 (amended by Section 4(1) of the Minister for the Civil Service Order 1971))
- (3) Paid from the House of Commons Vote
- (4) Reduced (from £6000) by the House of Commons Officers' Act 1834
- (5) Abated due to the economic climate
- (6) The same salary as a Cabinet Minister in the Commons
- (7) In 1975 Ministers and office holders chose to forego any increase in their official salaries



FROM: D I SPARKES

DATE: 6 February 1989

PS/CHIEF SECRETARY

*pwp*

cc Dame Anne Mueller  
Mr H Phillips  
Mr Kelly  
Miss Peirson  
Mr Watts  
Ms Seammen  
Mr A M White  
Mr Bingham  
Mrs Wiseman  
Mr de Berker  
Mr M Lawson**MR SPEAKER'S OFFICIAL ENTERTAINMENT**

The Chancellor has seen a copy of Miss Seammen's minute to the Chief Secretary dated 1 February explaining Mr Speaker's proposal to rationalise his official entertainment allowances.

2. The Chancellor has commented that the proposal makes sense in many ways but if it is true that the proposal would in effect make Mr Speaker £8,000 a year better off, as I was given to understand by Mr M Lawson on Friday, it would be difficult to endorse. The Chancellor feels that this aspect of the package deserves closer scrutiny.

*DM.*

DUNCAN SPARKES

FROM: MS D J SEAMMEN

DATE: 9 February 1989

PS/CHIEF SECRETARY

cc PS/Chancellor  
Dame Anne Mueller  
Mr H Phillips  
Mr C W Kelly  
Miss Peirson  
Mr Watts  
Mr A M White  
Mr Bingham  
Mrs Wiseman

MR SPEAKER'S OFFICIAL ENTERTAINMENT

1. The Chancellor has commented that the proposals to rationalise Mr Speaker's official entertainment make sense in many ways but has asked for further consideration to be given to that aspect of the package which would mean that the Speaker would be £8,000 a year better off.

2. The proposal will indeed effectively make Mr Speaker some £8,000 a year 'better off'. but must be weighed against the fact that:

(i) The Speaker is currently paying this amount for what is effectively official entertainment out of his own pocket. This is arguably an injustice. We understand that the current Speaker does not find this a problem, given that he has an additional private income, but a future Speaker without such resources could experience difficulty. To continue to lay this burden upon the Speaker could effectively limit the recruitment field.

(ii) We are, as part of the package, asking Mr Speaker to accept £1730 less salary. We do not consider we could ask him to accept less than a Cabinet Minister and thus be seen as eroding the dignity, prestige and responsibility of the post, given that the 1964 Lawrence Committee and subsequent TSRB reports have equated the responsibility of the post and salary to that of a Cabinet Minister.

3. We recommend that the proposal be put to the Prime Minister and I attach a draft minute. You may care to forewarn No 10 in advance so this does not appear out of the blue.

4. I am attaching also a minute by M<sup>r</sup> Lawson about the Prime Minister's own tax free allowance. It is of a different nature, but you will see that her inclination appears to be against such allowances.



MS D J SEAMMEN

PS / Chief Secretary

FROM: M LAWSON  
DATE: 3 February 1989

~~MS SEAMMEN~~

cc Mr de Berker

PRIME MINISTER'S TAX FREE ALLOWANCE

1. Given that we may be asked questions about the Prime Minister's tax free allowance in connection with the proposals on Mr Speaker's allowance, you asked me to look into the background of this. The Prime Minister is currently entitled to a salary of £46,109 and a reduced Parliamentary salary of £18,148, a total of £64,257, of which £5,000 is tax free. As you will know, the Prime Minister only accepts the same salary as a Cabinet Minister (£34,479) along with the reduced Parliamentary salary and the tax free allowance.

2. In 1947 by a Treasury Minute made under Rule 10 of Schedule E of the Income Tax Act 1918, the Prime Minister was allowed a flat rate deduction for expenses of £4,000 a year.

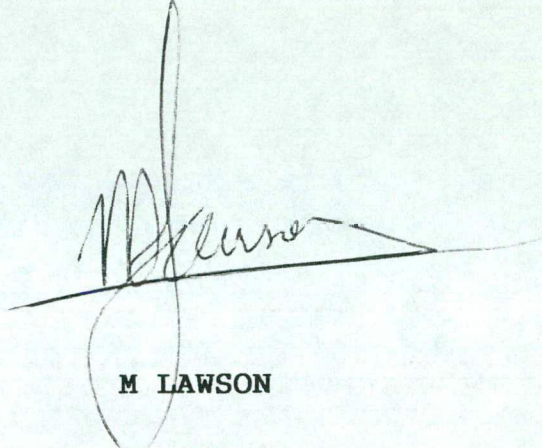
3. The first TSRB report on Ministers of the Crown and MPs (Cmnd 4836) recommended that this be increased to £5,000. This recommendation was accepted and was brought into effect in 1972 by the Treasury Minute dated 3 March 1972, under the provisions of Section 191 of the Income and Corporation Taxes Act 1970. That Act, as amended by Section 4(1) of the Minister of the Civil Service Order 1971, (both now superseded by Section 199 of the Income and Corporations Taxes Act 1988), provides the Treasury with powers to fix a sum which represents a fair equivalent of the average annual amount which any class of person remunerated out of public funds is obliged to lay out wholly, exclusively, and necessarily in the performance of their duties. I attach a copy of the relevant section.

4. The Prime Minister's tax free allowance is not for official entertainment; this is borne either by the Government Hospitality Fund (in respect of overseas visitors) or by the Treasury Vote as a departmental expense (the same as other departmental Ministers are entitled to). The Prime Minister is not required to submit

proof of expenditure she has laid out in the performance of her duties - the £5,000 is deducted before tax is deducted from her salary. In the past, Parliamentary Questions relating to the tax free allowance have admitted to it being deducted, although little has been said about what the expenses deduction is meant to cover. The 1947 Treasury Minute was made on the basis that the office of Prime Minister is sui generis and carries, by its nature, expenses that are not involved in the case of other Ministers. There is thus no analogy between the Prime Minister's expenses deduction and the tax treatment of entertainment. I would assume that the Prime Minister uses her tax free benefit on her wardrobe and perhaps hairdresser.

5. Finally, it may be worth noting that the tax free allowance has remained at £5,000 since 1972. The TSRB Report No 8 in 1976 recommended that the tax free allowance should be increased to £6,000. This proposal was never implemented. In their 12th report in 1979, the review body recommended that the tax free element should be increased from £6,000 to £8,000 (although the £6,000 figure had never been introduced). At the time, the Prime Minister was consulted and she made it quite clear that she did not wish the tax free element of her salary to be increased at that time. In their letter, No 10 stated that if at any later date the Prime Minister wished to re-open the question, they would come back. I attach a copy of the relevant Treasury Minute for information.

(completely illegible)



M LAWSON



**199.**—(1) Subject to the provisions of subsection (2) below, where the Treasury are satisfied with respect to any class of persons in receipt of any salary, fees or emoluments payable out of the public revenue that such persons are obliged to lay out and expend money wholly, exclusively and necessarily in the performance of the duties in respect of which such salary, fees or emoluments are payable, the Treasury may fix such sum as in the opinion of the Treasury represents a fair equivalent of the average annual amount laid out and so expended by persons of that class, and in charging income tax on that salary or those fees or emoluments there shall be deducted from the amount thereof the sums so fixed by the Treasury.

Expenses necessarily incurred and defrayed from official emoluments.

(2) If any such person would, but for the provisions of subsection (1) above, be entitled to deduct a larger amount than the sum so fixed, that amount may be deducted instead of the sum so fixed.

TREASURY MINISTERS SALARIES AND PENSIONS 1972

My Lords read again their Minute of 26th February 1947, applying the provisions of Rule 10 of Schedule E of the Income Tax Act 1918, which is now reproduced as Section 191 of the Income and Corporation Taxes Act 1970, to the salary payable to the Prime Minister and First Lord of the Treasury.

2. My Lords have again taken into consideration what would be a fair equivalent of the average annual amount expended wholly, exclusively and necessarily by the Prime Minister and First Lord of the Treasury in the performance of the duties in respect of which he receives a salary payable under the provisions of the Ministerial and other Salaries Act 1972. They are of the opinion that the amount, namely £4,000, prescribed in the Minute of 26th February 1947 should be increased to £5,000.

3. My Lords are therefore pleased to direct that in assessing Income Tax on this salary a deduction for expenses shall be made to the extent of £5,000. This Minute shall have effect in respect of the salary payable for the year 1972-73 and subsequent years.

Dr. March, 1972.

DRAFT MINUTE

**FROM: CHIEF SECRETARY**

**TO: PRIME MINISTER**

Copied to: Lord President of the Council  
Sir Robin Butler

**MR SPEAKER'S OFFICIAL ENTERTAINMENT**

1. Mr Speaker is proposing to rationalise his official entertainment allowances, whereby instead of receiving monies from the House of Commons Commission Vote, a tax-free element of salary, and occasional discounts from the Refreshment Department, he would forgo any tax-free element of salary and transfer the full cost of his official entertainment to the Commission Vote, thus paying full price for all functions from the Refreshment Department. If we are content with his proposals, he proposes to put the attached draft paper to the Commission to discuss at their meeting on 20 February.

2. I think the proposal makes sense, and would be glad of your concurrence.

3. The Speaker is currently paid a salary of £36,209 from the Consolidated Fund, of which £14,000 is tax-free under Section 199 of the Income and Corporation Taxes Act 1988, in recognition of expenses incurred wholly, exclusively and necessarily in the performance of his duties. Between 1965 and 1979 the Speaker received the same salary as a Cabinet Minister, but since 1980 he has enjoyed a slight salary lead.

4. The tax-free element of his salary has been determined by the Treasury as a cash sum since 1965. The tax-free element was

last increased (to £14,000) in 1984. In the past few years, a typical year's expenses on official entertainment has been around £20,450. There is specific provision in the Commission Vote for £6,000 of this, which leaves Mr Speaker with over £14,000 to fund. This would imply that just over £8,000 is being funded from his own salary, given that £5,600 is funded from the tax saving.

5. The Speaker has informed us there will be no change in the nature or extent of his entertainment and that the measures are simply designed to put its regulation onto a more appropriate footing, as Departmental Ministers' entertainment expenses are indeed already based. The present situation is full of ambiguities, with which Mr Speaker is increasingly uncomfortable. While the present Speaker has a private income, and is therefore prepared to fund himself what is, in effect, official entertainment, it would be wrong to lay that burden on a future Speaker without such resources. As a quid pro quo, it would be natural to re-establish earlier practice, and link Mr Speaker's salary directly to that of a Cabinet Minister. All of it will be taxable. The current Speaker will choose to accept the lesser salary. In time, we would include this in a future Ministerial and other Salaries Order for future Speakers.

6. The proposal allows proper transparency and audit; it gives the House of Commons Commission complete control of expenditure of which it currently controls only part, and it is a step forward towards a proper commercial attitude on the part of the Refreshment Department. It would also relieve the Treasury of the need to adjust the level of the tax free allowance from time to time.

7. While the Commission Vote is entirely a matter for the House, I am informed that no increase is envisaged on that Vote as a whole as a result of the proposals. If you are content, we will so inform the Speaker. This enable him to put it to the House of Commons Commission for approval.

JOHN MAJOR

Draft 20/12/88

MR SPEAKER'S OFFICIAL ENTERTAINMENT

Note by Mr Speaker's Secretary

This note, submitted with Mr Speaker's authority, describes the present arrangements for meeting the costs of the Speaker's official entertainment. It suggests that the time has come to put them on to a more satisfactory footing.

Background

2. A large number of functions (mainly dinners and receptions), at which the Speaker is host, are held in Speaker's House of which the costs are met by an outside sponsoring body. These are mainly functions related in some way to the Speaker's Parliamentary or constituency connections. Typical examples would be a dinner for a visiting Speaker (met by the FCO) or for a visiting IPU Delegation (met by the IPU). The existing arrangements for meeting the costs of functions of this sort are satisfactory and they are not the subject of this note.

3. However, there is a significant amount of other entertainment which the Speaker undertakes entirely by virtue of his office. It is the arrangements for meeting the costs of these functions, as they have grown up over the years, which the Speaker considers should now be reviewed by the Commission, and, if the Commission agrees, put on a more regular basis.

The Present Arrangements

4. At present, the cost of this entertainment is covered in various ways. For some functions, the costs are met directly from the amount provided in the Estimates for the Speaker's entertainment (currently £6,000). Some functions are in effect subsidised, since the Refreshment Department does not charge for them at full cost. In addition, part of the Speaker's salary is tax-free because of the expenditure which he necessarily incurs in the performance of the duties of his office. (The

amount is not related entirely to the Speaker's expenditure on entertainment; this is the main element, but part is attributable to the cost of his house-keeper, since the Speaker's accommodation is used to some extent for official purposes).

5. These arrangements have the following disadvantages:
- (i) they do not represent a policy decision by the Commission as to the amount which should be spent on the Speaker's official entertainment;
  - (ii) the true cost of the Speaker's official entertainment does not appear on the face of the Estimates nor in the Accounts;
  - (iii) the Speaker has had, in effect, to negotiate a concessionary rate with the Refreshment Department for some of his official entertainment;
  - (iv) the tax-free element of the Speaker's salary is determined by the Government (the Treasury or the Inland Revenue) in accordance with their own rules, which were not designed to recognise the Parliamentary situation.

The present position is unsatisfactory from the point of view of public accountability and it is unseemly that any Speaker should have to negotiate discounts with the Refreshment Department or tax allowances with the Government in order to meet any of the expenses which he incurs by virtue of his office.

#### Proposal

6. To remedy this situation, the Speaker would propose that:-
- (i) full provision for the costs of the Speaker's official entertainment expenses should be made in the Estimates under sub-head A.1 (Office of the Speaker);

- (ii) when this is done the Speaker's official entertainment should be charged at full cost;
- (iii) at the same time the Speaker's salary should be fully taxable.\*

It should, perhaps, be made clear that it is not proposed that any allowance for entertainment should be paid to Mr Speaker himself; the proposal is that the costs of the Speaker's entertainment should be met from the provision in the Estimates, as they are actually incurred. Expenditure would be authorised on my authority as Head of the Office (in consultation with the Accountant as necessary) although ultimate responsibility would, of course, rest with the Accounting Officer and the Speaker. Nor is it proposed that there should be any change in the nature or extent of the Speaker's entertainment; the proposal is simply to put its regulation on to a more appropriate footing.

7. If the Commission endorses the above proposals in principle, the Speaker would propose that the implications of proceeding in this way should be pursued with the Treasury. Subject to the timing and outcome of those discussions, it might be possible for an appropriate amount to be included in the 1989/90 Estimates; failing that, the aim would be to make the provision in the 1990/91 Estimates.

8. The Annexe to this paper illustrates the sort of expenditure which would be covered by the proposed arrangements.

P J Kitcatt

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\*It would be logical, if these proposals are agreed, for the Commission to approve a contribution towards the cost of the Speaker's house-keeper - see para 4 above.



SECRET

MR SPEAKER'S OFFICIAL ENTERTAINMENT

In a typical year, the Speaker might undertake the following official entertainment for which the full costs would be as shown below:-

	£
(i) 10 major dinners (mainly for Members) @ approx £1,500	15,000
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SALARY OF THE SPEAKER OF THE HOUSE OF COMMONS 1832 to date

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		£	£	£	
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1. 7.1934	(5)	4500	3600	-	4500
1. 7.1955		5000	4000	750	5750
1965		8500 (6)	4000	1250	9760
1972		13000 (6)	4000	3000	16000
1975	(7)	13000 (6)	4000	3700	16700
1976		13000 (6)	4000	3700	16700
1977		13000 (6)	6500	3908	16908
1978		14300 (6)	6500	4299	18599
1979		19650 (6)	7000	5650	25300
1980		24500	11000	7670	32170
1981		29150	11000	8130	37280
1982		30325	11000	8460	38785
1983		30797	11000	9543	40340
1984		31814	14000	10626	42440
1985		32851	14000	11709	44560
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1989		36209	14000	18148	54357

Notes

- (1) Paid from the Consolidated Fund
- (2) Tax free element (currently under the provisions of Section 191 of the Income and Corporation taxes Act 1970 (amended by Section 4(1) of the Minister for the Civil Service Order 1971))
- (3) Paid from the House of Commons Vote
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- (7) In 1975 Ministers and office holders chose to forego any increase in their official salaries

FROM : M.LAWSON

DATE : 14 FEBRUARY 1989

*ABP*

1. MS SEAMEN

2. APS/CHIEF SECRETARY

c.c. PS/Chancellor  
Dame Anne Mueller  
Mr H.Phillips  
Mr C.W.Kelly OR  
Miss Peirson  
Mr Watts  
Mr A.M.White  
Mr Bingham  
Mrs Wiseman  
Mr de Berker

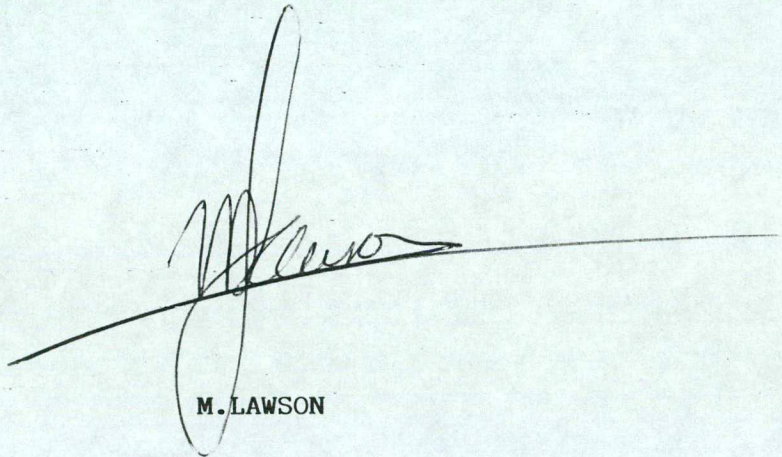
*14/2*  
*Phf*

**MR SPEAKER'S OFFICIAL ENTERTAINMENT**

I attach a revised draft Minute for the Chief Secretary to send the Prime Minister on the lines the Chief Secretary requested at this morning's meeting.

2. The Lord President is indeed aware of the Speaker's proposals and is content, although he was unaware of our proposal to ask Mr Speaker to accept a lesser salary. His Office will bring him up-to-date with the situation.

*te*



M.LAWSON

**DRAFT MINUTE**

**FROM: CHIEF SECRETARY**

**TO: PRIME MINISTER**

Copied to: Lord President of the Council  
Sir Robin Butler

**MR SPEAKER'S OFFICIAL ENTERTAINMENT**

1. Mr Speaker is proposing to rationalise his official entertainment allowances, whereby instead of receiving monies from the House of Commons Commission Vote, a tax-free element of salary, and occasional discounts from the Refreshment Department, he would forgo any tax-free element of salary and transfer the full cost of his official entertainment to the Commission Vote, thus paying full price for all functions from the Refreshment Department. If we are content, he will put his proposals before the commission in the form of the attached draft paper for consideration.

2. I think the proposal makes sense, and would be glad of your concurrence.

3. The Speaker is currently paid a salary of £36,209 from the Consolidated Fund, of which £14,000 is tax-free under Section 199 of the Income and Corporation Taxes Act 1988, in recognition of expenses incurred wholly, exclusively and necessarily in the performance of his duties. Between 1965 and 1979 the Speaker received the same salary as a Cabinet Minister, but since 1980 he has enjoyed a slight salary lead.

4. The tax-free element of his salary has been determined by the Treasury as a cash sum since 1965. The tax-free element was

last increased (to £14,000) in 1984. In the past few years, a typical year's expenses on official entertainment has been around £20,450. There is specific provision in the Commission Vote for £6,000 of this, which leaves Mr Speaker with over £14,000 to fund. This would imply that he has been finding just over £8,000 from his own salary, given that £5,600 is funded from the tax saving.

5. The Speaker has informed us there will be no change in the nature or extent of his entertainment and that the measures are simply designed to put its regulation onto a more appropriate footing, as Departmental Ministers' entertainment expenses are indeed already based. The present situation is full of ambiguities, with which Mr Speaker is increasingly uncomfortable. While the present Speaker has a private income, and is therefore prepared to fund himself what is, in effect, official entertainment, it would be wrong to lay that burden on a future Speaker without such resources. It seems reasonable to make this change now without any overt publicity, rather than at a later date when it might be seen to be done for the financial convenience of a new Speaker. As a quid pro quo, it would be natural to re-establish earlier practice, and link Mr Speaker's salary directly to that of a Cabinet Minister. All of it will be taxable. We have accordingly agreed informally with the current Speaker that he will choose to accept the lesser salary. In time, we would include this in a future Ministerial and other Salaries Order for future Speakers.

6. The proposal allows proper transparency and audit; it gives the House of Commons Commission complete control of expenditure of which it currently controls only part, and it is a step forward towards a proper commercial attitude on the part of the Refreshment Department. It would also relieve the Treasury of the

need to adjust the level of the tax free allowance from time to time.

7. While the Commission Vote is entirely a matter for the House, I am informed that no increase is envisaged on that Vote as a whole as a result of the proposals. If you are content, we will so inform the Speaker. This will enable him to circulate his paper to the Commission who will in turn discuss it at their next meeting. It is entirely a matter for the Commission to endorse. We understand there will be no overt publicity, although there would be no <sup>great</sup> ~~greater~~ harm if word were to get about. The Treasury will inform the Inland Revenue that all the Speaker's salary falls to be taxed in the normal way.

8. I am copying this minute to the Lord President who concurs with the above advice and to Sir Robin Butler.

JOHN MAJOR

2  
cc: 3/mins  
PS/Chancellor  
Dame Anne Mueller  
Mr H Phillips  
Mr C W Kelly

Miss Peirson  
Ms Seammen  
Mr Watts  
Mr A M White

Mr Bingham  
Mrs Wiseman  
Mr de Berker  
Mr Lawson



FROM: CHIEF SECRETARY  
DATE: | March 1989

PRIME MINISTER

MR SPEAKER'S OFFICIAL ENTERTAINMENT

Mr Speaker has approached the Lord President and myself because he would like to rationalise his official entertainment allowances, whereby instead of receiving monies from the House of Commons Commission Vote, a tax-free element of salary, and occasional discounts from the Refreshment Department, he would forgo any tax-free element of salary and transfer the full cost of his official entertainment to the Commission Vote, thus paying full price for all functions from the Refreshment Department. If we are content, he will put his proposals before the Commission in the form of the attached draft paper for consideration.

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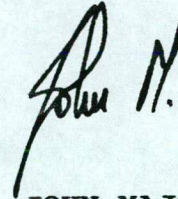
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8. I am copying this minute to the Lord President who concurs with the above advice, and to Sir Robin Butler.



JOHN MAJOR



## MR SPEAKER'S OFFICIAL ENTERTAINMENT

### Note by Mr Speaker's Secretary

This note, submitted with Mr Speaker's authority, describes the present arrangements for meeting the costs of the Speaker's official entertainment. It suggests that the time has come to put them on to a more satisfactory footing.

#### Background

2. A large number of functions (mainly dinners and receptions), at which the Speaker is host, are held in Speaker's House of which the costs are met by an outside sponsoring body. These are mainly functions related in some way to the Speaker's Parliamentary or constituency connections. Typical examples would be a dinner for a visiting Speaker (met by the FCO) or for a visiting IPU Delegation (met by the IPU). The existing arrangements for meeting the costs of functions of this sort are satisfactory and they are not the subject of this note.

3. However, there is a significant amount of other entertainment which the Speaker undertakes entirely by virtue of his office. It is the arrangements for meeting the costs of these functions, as they have grown up over the years, which the Speaker considers should now be reviewed by the Commission, and, if the Commission agrees, put on a more regular basis.

#### The Present Arrangements

4. At present, the cost of this entertainment is covered in various ways. For some functions, the costs are met directly from the amount provided in the Estimates for the Speaker's entertainment (currently £6,000). Some functions are in effect subsidised, since the Refreshment Department does not charge for them at full cost. In addition, part of the Speaker's salary is tax-free because of the expenditure which he necessarily incurs in the performance of the duties of his office. (The

amount is not related entirely to the Speaker's expenditure on entertainment; this is the main element, but part is attributable to the cost of his house-keeper, since the Speaker's accommodation is used to some extent for official purposes).

5. These arrangements have the following disadvantages:

- (i) they do not represent a policy decision by the Commission as to the amount which should be spent on the Speaker's official entertainment;
- (ii) the true cost of the Speaker's official entertainment does not appear on the face of the Estimates nor in the Accounts;
- (iii) the Speaker has had, in effect, to negotiate a concessionary rate with the Refreshment Department for some of his official entertainment;
- (iv) the tax-free element of the Speaker's salary is determined by the Government (the Treasury or the Inland Revenue) in accordance with their own rules, which were not designed to recognise the Parliamentary situation.

The present position is unsatisfactory from the point of view of public accountability and it is unseemly that any Speaker should have to negotiate discounts with the Refreshment Department or tax allowances with the Government in order to meet any of the expenses which he incurs by virtue of his office.

#### Proposal

6. To remedy this situation, the Speaker would propose that:-

- (i) full provision for the costs of the Speaker's official entertainment expenses should be made in the Estimates under sub-head A.1 (Office of the Speaker);

- (ii) when this is done the Speaker's official entertainment should be charged at full cost;
- (iii) at the same time the Speaker's salary should be fully taxable.\*

It should, perhaps, be made clear that it is not proposed that any allowance for entertainment should be paid to Mr Speaker himself; the proposal is that the cost of the Speaker's entertainment should be met from the provision in the Estimates, as they are actually incurred. Expenditure would be authorised on my authority as Head of the Office (in consultation with the Accountant as necessary) although ultimate responsibility would, of course, rest with the Accounting Officer and the Speaker. Nor is it proposed that there should be any change in the nature or extent of the Speaker's entertainment; the proposal is simply to put its regulation on to a more appropriate footing.

7. If the Commission endorses the above proposals in principle, the Speaker would propose that the implications of proceeding in this way should be pursued with the Treasury. Subject to the timing and outcome of those discussions, it might be possible for an appropriate amount to be included in the 1989/90 Estimates; failing that, the aim would be to make the provision in the 1990/91 Estimates.

8. The Annexe to this paper illustrates the sort of expenditure which would be covered by the proposed arrangements.

P J Kitcatt

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\*It would be logical, if these proposals are agreed, for the Commission to approve a contribution towards the cost of the Speaker's house-keeper - see para 4 above.

MR SPEAKER'S OFFICIAL ENTERTAINMENT

In a typical year, the Speaker might undertake the following official entertainment for which the full costs would be as shown below:-

	£
(i) 10 major dinners (mainly for Members) @ approx £1,500	15,000
(ii) 5 minor dinners @ approx £750	3,750
(iii) Reception for State Opening	1,200
(iv) Drinks for Ambassadors etc	100
(v) Drinks for Members	400
	<u>£20,450</u>

For Members' dinners, the Speaker's objective is that each Member and his or her spouse should dine with Mrs Weatherill and himself at least once. These dinners are popular and are intended, because of the opportunities they afford to Members to meet the Speaker and one another socially and privately, to make a contribution to the smooth running of the House. The Speaker sometimes takes the opportunity to include non-Members to whom he "owes" return official hospitality. The "minor" dinners also afford an opportunity to return hospitality or to thank an Ambassador or High Commissioner who have helped with the arrangements for an overseas visit, and their staff. Drinks are given to Ambassadors when, as frequently happens, they pay a courtesy call on the Speaker at lunch-time on taking up or relinquishing their appointment in the UK. Two drinks parties were arranged after the last General Election for new Members to meet the Speaker and one another, and a further party was given for Members retiring from the House. Clearly these would not normally be annual functions, but they would recur, even if only after each General Election. The Speaker also gives small parties for senior members of the staff of the House on their retirement.

SALARY OF THE SPEAKER OF THE HOUSE OF COMMONS 1832 to date

		Speaker Salary (1)	Tax free element (2)	Reduced Parliamentary Salary (3)	<u>Total</u>
		£	£	£	
1832		6000	6000	-	6000
1834	(4)	5000	4000	-	5000
1.10.1931	(5)	4000	3200	-	4000
1. 7.1934	(5)	4500	3600	-	4500
1. 7.1955		5000	4000	750	5750
1965		8500 (6)	4000	1250	9760
1972		13000 (6)	4000	3000	16000
1975	(7)	13000 (6)	4000	3700	16700
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