

**CONFIDENTIAL**

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PRIME MINISTER

I don't want to make your task tomorrow at Cabinet harder but, as I warned you in my 5 July minute, the proviso in Willie's minute to you of 1 July recognised that Education's needs cannot be met within the £500m uplift. That assessment still stands; I am writing separately about your Private Secretary's letter of 9 July (see attached). A further £140m as set out in my minute is needed to enable me to show that I am maintaining the "Better Schools" policies. The figures already take account of the savings to be achieved both from falling school rolls and from greater efficiency.

This would not be extra spending: it will be spent anyway. But without an explicit reference to that £140m extra "Better Schools" will have become incredible.

Even with the £140m extra we shall still be squeezing hard, but we would have a valid "Better Schools" policy.

I am copying this minute to Nigel Lawson.

K.J.

KJ

10 July 1985

Department of Education and Science

Relations: Local GUE, PE27