

Prime Minister

Brian note this before your

CONFIDENTIAL meeting this afternoon.

DN

3 June 1986 5/6.

~~SECRET~~  
PRIME MINISTER

EDUCATION - CHANGING PUBLIC PERCEPTIONS

After recognising the importance of education by appointing a new Secretary of State, it is very important that the Government is seen to be making an impact in the schools from the beginning of the next academic year - when GCSE will be introduced.

It is understandable therefore that Baker wishes a decision now for cash by this autumn. His letter does not help his position. Nevertheless he clearly feels himself in a very strong political position. A major row involving yourself, the Treasury and DES in which as a last resort the parliamentary party might feel itself the jury would be damaging all round.

The best course of action would be to:

- a. agree the £75m extra spending at a meeting of E(A) or full Cabinet with explicit recognition that it is a special case to be funded from the reserve; £75m agreed now will have much more impact politically than £750m in November;
- b. emphasise to Baker, and in writing, that his PES bid will be given no special treatment whatever, and that

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if he comes forward with inordinate demands which are fundamentally inconsistent with the MTFB then he must expect the short shrift he will be given;

- c. extract from Baker a commitment that offsetting savings will be made in future years in anticipation of the Audit Commission's proposals

*BG.*

BRIAN GRIFFITHS