



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 October 1986

Dear Alex,

PUBLIC EXPENDITURE AND TEACHERS' PAY

The main discussion at yesterday's Seminar at Chequers is recorded separately.

On public expenditure, the only point worth recording is that the Prime Minister expressed concern over the effect that maintaining electricity prices constant in real terms would have on the prospects for inflation during the coming year.

Teachers' pay was also discussed. The main points are recorded on the sheet attached, which was prepared as an aide memoire for use by the Prime Minister and Lord Whitelaw at today's meeting of Misc 122.

I am copying this letter and enclosure to Jill Rutter (Chief Secretary's Office, HM Treasury).

*Yours,
David.*

(DAVID NORRGROVE)

Alex Allan, Esq.,
HM Treasury

SECRETPOINTS OF CONCERN ON THE EDUCATION MINISTERS' PROPOSALS ON
TEACHERS' PAY

1. Cost. The increase in public expenditure to be announced in the Autumn Statement risks a very damaging effect on the markets. To announce a huge increase in spending on teachers' pay before the Autumn Statement would compound that. This points to refusing to go beyond the "£1¹/₄ billion". (Option (iii) in the paper costs less than £1¹/₄ billion.)
2. Conditionality. Mr. Baker would pay 8.2% now, on existing pay scales. More of the money should be kept back to be used to finance the new pay structure and to give more inducement to the teachers to agree to the new terms and conditions.
3. Legality. There is a risk that the proposal to legislate to abolish Burnham but to make the effect of the legislation retrospective to the date of the announcement would be overturned by a judicial review. The Attorney General will be advising. How difficult would it be to get the legislation through the House of Lords?
4. Enforcement. The Government may have to secure a right to bring actions against disruptive teachers. The Government could become a party to the contract under the second of Mr. Baker's two bills, but that may be too slow.
5. Tactics. MISC 122 has throughout not felt able to hijack the ACAS process, and the public perception is that the Government is in favour of the Coventry process. It would be a great shock and cause antagonism if the Government announces imposition of Main on Thursday. It may be better to wait until the public begin to perceive that Coventry is actually breaking down. Tuesday 4 November would be a possible date for the announcement.

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Expenditure costs fm

	1986-87	1987-88
Option (i)	475	600
Option (ii)	240	600
Option (iii)	115	160
£1½billion	200	260

Stop disruption

Pay
structure

condition of service