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From the Private Secretary

14 October 1986

TEACHERS' PAY

The Prime Minister discussed teachers' pay this morning with the Chancellor and the Chief Secretary. Professor Brian Griffiths was also present.

I have already reported the meeting's conclusions to your office and to Jill Rutter, but briefly they were as follows.

The Prime Minister was clear that it would not be feasible to pay to the local authorities only the Government's share of the "£1½ billion", leaving them to finance the rest of whatever emerged finally from the Coventry discussions. The effect on local authority rates would not be tolerable and the result would be much higher pay for teachers with terms and conditions in some ways worse from the Government's point of view than those which were now in place.

After discussion the Chancellor and Chief Secretary undertook to consider arrangements under which Mr. Rifkind and Mr. Baker would announce the Government's agreement, subject to the agreement of both employers and teachers, to a closely defined "de minimis" version of Main. The cost the Government was prepared to underwrite would also be clearly defined and limited. The Government would pay grant to local authorities to support staged payments to teachers. The effect on the rates would need to be carefully considered. Grant would only be paid if the Government's conditions were met and it would be withdrawn if the conditions ceased to be met.

It was recognised that this package would necessarily involve the abolition of Burnham in order to avoid the local authorities and teachers forcing through a pay settlement which would be unacceptable to the Government. A Standing Advisory Committee would be needed until more radical ideas on the reform of education could be brought to fruition.

I am copying this letter to Jill Rutter in the Chief Secretary's Office.

DAVID HORGROVE

A. C. S. Allan, Esq.,
H.M. Treasury

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