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BUP



CONFIDENTIAL CMO until 31 December 1986

P 02323

PRIME MINISTER

TEACHERS' PAY AND CONDITIONS OF SERVICE  
MISC 122(86) 15th Meeting

DECISIONS

1. You will wish to reach decisions on the staging and overall cost of the Government's conditional offer to teachers. Subject to that, you will wish to endorse the strategy decided at Mondays meeting, and invite the Secretaries of State to report to Cabinet on Thursday with a view to a Parliamentary statement either that day or early next week.

BACKGROUND

2. The Group agreed on Monday that the Secretaries of State should indicate before negotiations resume at Nottingham on 8 November the Government's willingness to make available additional resources, provided the unions and employers can conclude the necessary agreement on improved pay structures and terms and conditions of service. It if becomes clear that they are unwilling or unable to conclude agreements, legislation will be introduced swiftly to impose a settlement. (MISC 122(86)14th Meeting).

3. The key unresolved issue was the staging of the pay increases recommended by Main. The Chief Secretary was asked to bring forward further proposals in conjunction with the other Ministers concerned. The Environment Secretary was asked to circulate exemplifications showing the impact on rate bills. Finally, the Education Secretary was asked to bring forward a detailed

specification of his legislation.

## THE ISSUES

### Staging

4. The Group agreed that staging should be in two phases, that it would be necessary to pay a further increase for 1986/87 given the expectations aroused by Coventry, and that the overall cost (for England and Wales) might be about £400 million for 1987/88. The Chief Secretary met the Education and Environment Secretaries this afternoon with the objective of agreeing a financial envelope and staging. They agreed provisionally that the staging should be 8.2 per cent on 1 January and 8.2 per cent on 1 October. They had to conclude however, that provision should be based on an offset of only 3.75 per cent uplift for costs and prices explicitly allowed for in the RSG settlement: to make a larger offset presents great difficulties of presentation and risks calling the RSG settlement into question. This means additional provision of £490 million. In order to apply some downward pressure on expenditure, and create incentives for savings, the Ministers agreed that additional grant should be restricted to £200 million. This would be provided for in a separate Supplementary Report rather than in the main RSG settlement and would be paid at a lower percentage than the main RSG settlement; it would leave local authorities to find £30 million more than would have been required if the established grant percentage had been paid in full.\* The settlement would mean average rate increases, in excess of those already in the pipeline, of perhaps 1 per cent. We hope it will be possible for the Chief Secretary to minute colleagues this evening. Assuming that agreed recommendations do emerge, it is likely that these will be acceptable to the Group.

### Rate Implications

5. The Environment Secretary hopes to circulate figures indicating broadly the impact for particular local authorities of the agreed increase in expenditure and grant. The Environment

\* The grant percentage would be  
2 40.8% as against the usual

Secretary's earlier suggestion that extra resources might be channelled through specific grant rather than block grant has been dropped, largely because a substantial proportion of any specific grant would have to go to ILEA, which would not receive anything through the block grant route. The high-resource shire counties would therefore be little better off under a specific grant regime than under the existing arrangements.

#### The Legislation

6. The business managers were concerned that the Group had not so far seen a detailed specification of what legislation to impose a settlement would involve. If it is assumed that the Government's initial statement of their conditional offer would not contain an overt threat to abolish Burnham if they did not agree, it is not necessary to reach final decisions on the legislation now so long as the Group is satisfied that there is an acceptable fall-back strategy for imposition. You will therefore wish to establish that subject to further discussion of the details, it will be possible to produce a Bill or Bills which will achieve the Government's objectives and which can be carried through Parliament. It may be prudent to authorise contingent drafting now.

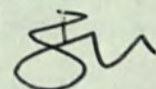
7. A particular issue will be whether to include on the face of the Bill specific proposals on eg the final pay increase for 1986-87- and so risk amendment of those proposals in Committee - or rely instead on order-making powers, with the risk of review of the use made of the powers. The Attorney General will wish to comment on these issues. But any detailed discussion on the best approach might be remitted to a smaller group comprising the Business Managers, the Attorney General, and the Education Ministers. There are a number of issues which will need to be addressed, eg the extent of the separate treatment for Scotland, the date on which regulations prescribing teachers' duties and conditions take effect, in the light of the agreed staging, and the extension (or not) of the new arrangements to the further education sector.

Next Steps

8. There is a strong case for making a statement earlier rather than later if the Government wishes to influence constructively the Nottingham negotiations. - This points to inviting the Education Ministers to put a paper before Cabinet on Thursday, with a Parliamentary statement that afternoon. That paper will need to make clear the terms of the Government's conditional offer, but probably need not specify in detail the Government's intention to impose a solution should negotiations fail. You might also wish to invite the Secretaries of State for Education and Science and for Scotland to circulate drafts of their statements to the Group on Wednesday afternoon.

HANDLING

9. You will wish to invite the Chief Secretary, Treasury to introduce the proposals for staging. The Education and Scottish Secretaries will wish to comment, as also will the Environment Secretary, Employment Secretary, and others. The Environment Secretary will wish to describe the implications for local authority rates. The Education Secretary will wish to outline his legislative proposals, and the Lord Privy Seal and Lord President of the Council will wish to comment.



J B UNWIN

Cabinet Office  
28 October 1986