

Ref. A086/3083

PRIME MINISTER

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Teachers' Pay, Duties and Conditions of Service (C(86) 21)

BACKGROUND

The Report of MISC 122 sets out the agreed strategy for bringing to a conclusion the teachers' pay disputes, based on a conditional offer of a staged pay increase for an improved definition of teachers' duties and terms and conditions of service. It is self-explanatory. The Secretaries of State for Education and Science and for Scotland have circulated drafts of the statements they proposed to make to Parliament following Cabinet.

ISSUES

2. There are two unresolved issues which may be raised in discussion:

(i) Future Arrangements for Determining Pay

In accordance with MISC 122's decision, the Education Secretary will announce the Government's intention to repeal the Remuneration of Teachers Act and so abolish the Burnham machinery. I understand he is also now considering whether to go as far as indicating that the Government will establish an interim Advisory Committee. Two potential problems must be considered. First, the Scottish Secretary intends specifically to reserve the Government's position on the establishment of an independent Review Body for Scotland, essentially because he does not want to queer the pitch for a negotiated settlement through the existing



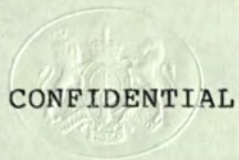


machinery. This might appear inconsistent with the line proposed for England and Wales. Second, while MISC 122 has agreed that for the first year the Advisory Committee would be required effectively to anglicise Main and would be constrained to the financial envelope defined by the Government, they have not discussed in detail its mode of operation after that. Some Ministers have advocated for example that the Committee should be constrained to act within a total cost defined by Government, but that proposition, which goes further than for any other public sector group in limiting the employees' involvement in pay determination, has not been argued and resolved. The Secretary of State's primary concern at this stage is to close the door on options based on a joint local authority - union non-statutory negotiating committee excluding the Government; and it might be possible to do this without commitment to an Advisory Committee until its mode of operation can be more fully described.

(ii) Effect on Ratepayers

It is proposed that on this occasion the Exchequer should provide less than the normal proportion of grant. This will provide further grounds for criticism by the shire counties over the recent RSG proposals. The amount involved is relatively small in the context of local government finance - £30 million - and has no effect on public expenditure, only the split between the taxpayer and ratepayers' contribution. Some Ministers may therefore wish to explore whether there is a case for paying grant at the normal rate in order to minimise scope for criticism that the Government are responsible for higher rates increases. Since the effect on total public expenditure is not an issue, there is a case for not introducing an unnecessary further grievance for local authorities by insisting on this grant reduction.





CONFIDENTIAL

3. You will wish to invite the Secretary of State for Education and Science to introduce the discussion, and the Secretary of State for Scotland to comment. The Chancellor of the Exchequer will wish to comment on the public expenditure and public sector pay implications. Other Ministers will wish to contribute.

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ROBERT ARMSTRONG

29 October 1986