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CONFIDENTIAL

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PRIME MINISTER

E(EP) discussion 15 July 1987

Steering Brief

I attach briefs on the four papers for this discussion. They make a formidable agenda, but it is most important to reach early decisions on items 2 to 4 if Mr Baker is to meet the Cabinet's deadlilne for having the legislation ready by mid November. This covering note briefly summarises the issues, and in particular considers which decisions are needed most urgently.

Item 1. Teachers' Pay Green Paper

2. The two main questions on this are:

- i. Is the general shape right? In particular, should the Green Paper present the options entirely neutrally? Mr Baker thinks so, but the Chancellor may argue that the Government should first decide what it wants, and then draft the Green Paper accordingly.
- ii. What is the target date for publication? The Election Manifesto promised a Green Paper, and Mr Baker has said it will appear soon. He would like it out before the Recess and there is a case for that if the draft is acceptable to the Committee. But there is no specific commitment, and publication could slip until say September if this was necessary to get it into proper shape. If substantial changes are to be made to reflect the Chancellor's view, such a delay would be difficult to avoid.

Item 2. Higher education pay.

3. There is disagreement here between Mr Baker who, broadly, wants negotiations on HE pay left largely to the employers and employees, and the Chancellor, who wants formal Government involvement.

4. The Chancellor's proposal would require controversial legislation and in present circumstances that is a strong argument against it. But if he were to win, early consultation would be necessary because of the effect on the Education Bill. It might be awkward to have the consultative document on HE pay out before the Green Paper on teachers' pay if the latter slipped, but that might have to be faced. If, however, Mr Baker prevails no legislation would be needed and there would not be the same urgency. The HE document could then probably come out at the same time as the Green Paper, whenever that was.

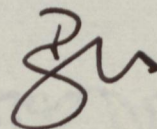
Item 3. Grant maintained schools

5. This paper contains Mr Baker's more detailed proposals for opting out arrangements. The Manifesto promised that such arrangements would be made and they will be included in the Education Bill. There is therefore a strong case for a consultation document before the Recess, as Mr Baker proposes.

Item 4. Further education

6. Mr Baker proposes to legislate for financial delegation from LEAs to further education (FE) colleges broadly along the same lines as for schools. He says that to anticipate irresistible pressure such legislation would have to be extended to put LEAs' powers in this area beyond doubt, and to give them new duties. The new duties will have resource implications and will be opposed by the Treasury.

7. The main question for the Committee is whether to have any FE legislation at all and, if so, how far down Mr Baker's shopping list it should go. There is obviously a strong case for giving FE colleges the same financial autonomy as schools, but there is no Manifesto commitment and this could be regarded as a more optional part of the education package (with a consequent saving to the Bill). If however the Committee do decide on FE legislation in the Education Bill, an early consultative document would be necessary.



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