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Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

21 May 1985

Miss Elizabeth Hodkinson
 Private Secretary to the
 Secretary of State for Education and Science
 Department of Education and Science
 Elizabeth House
 York Road
 LONDON SE1 PH

Dear Elizabeth,

TEACHERS' PAY: DRAFT LETTER TO MR MERRIDALE AND MRS HARRISON

The Chancellor has seen your letter of earlier today and has the following comments which I have already passed to Claire Jones by telephone.

First, in line with what he understood to have been agreed at yesterday's discussions, the Chancellor feels that the letter should make it clear that the buying out of midday supervision is part of an overall deal comprising the wider agreement being sought on the scope of teachers' duties.

Second, he feels that the fourth paragraph of the letter goes much too far towards implying that large sums, increasing through time, would be made available.

... I enclose a list of amendments to the letter reflecting these points and including some other minor drafting amendments.

Finally, the Chancellor has emphasised that yesterday evening's discussion focussed on the size and financing of the pay settlement for 1985-86. While he would not want Sir Keith Joseph to give any impression that the Government was prepared to consider a staged settlement, he thinks it important the employers should be warned that the Government will not be able to make additional funds available in 1986-87 to finance this year's settlement. Any additional money provided in 1986-87 must be linked exclusively to improvements in teachers' terms and conditions of service and to progress towards achieving the Government's objectives for the management and performance of the education service.

I am copying this letter to Andrew Turnbull (No 10), John Graham (Scottish Office), Colin Williams (Welsh Office), John Ballard (DOE), David Morris (Lord Privy Seal's Office), David Normington (DE), Jim Daniell (Northern Ireland Office), Henry Steel (Law Officers' Department) and Richard Hatfield (Cabinet Office).

Yours sincerely,
Margaret O'Mara

MISS M O'MARA
 Private Secretary

ANNEX

AMENDMENTS TO DRAFT LETTER FOR SIR KEITH JOSEPH TO SEND TO
MR MERRIDALE AND MRS HARRISON

Second paragraph

Amend first sentence to read:

"For 1985-86 the Government is not able to make any additional resources available for teachers' pay."

Third paragraph

Penultimate sentence to read:

"In the Government's view, that agreement could exclude midday supervision from the range of teachers' duties from 1986-87."

Delete last sentence.

Fourth paragraph

First sentence to read:

"For 1986-87, the Government would be willing to include some additional provision in the Rate Support Grant settlement, as part of the total provision agreed for local authorities, both for midday supervision and teachers' pay; if and only if ..."

Second page, line 3 insert "for instance" before "require".

Last sentence, delete "Over two to three years".

21 MAY 1985

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P. C. F.