

PRIME MINISTER

TEACHERS' PAY

*Handwritten note:*  
Phanlay on mt

Following the decision reached at Cabinet this morning Mark Carlisle's office rang me this evening with a form of words which he has agreed with the Chancellor about Rate Support Grant cover. This will be transmitted to local authorities tomorrow morning before their Burnham Committee meetings.

The form of words reads:

"For the purpose of calculating increases in Rate Support Grant.

The consequences of the teachers' pay settlement, as of any other settlement for local government employees, will be taken into account. However, the Government is intent on substantial economies in public expenditure and has to consider the consequences of all these settlements so far as its own financial contribution is concerned. The Government therefore must reserve to itself the right to reduce the total extra support which it would otherwise give, both for this and for other eligible increases in expenditure; the size of these increases will be a factor which will be taken into account."

In view of your interest in this subject Mr. Carlisle's office felt that you might like to see this tonight.

*Handwritten signature:* Roger Carter  
Duty Clerk.

17 May 1979