

cst/jm.6.13.9.

CONFIDENTIAL



RA

CEPU.

Price Mark²

ALC6

13/9

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
London
SE1 7PH

13 September 1988

Dear Secretary of State,

E(EP): REMIT TO THE IAC

Our officials have as required by the E(EP) minutes clarified the figuring. I understand that both the figure of £375 million and the figure of £385 million could legitimately be regarded as falling within the inevitable margin of error, given the uncertainties of forecasting the teachers' pay bill next year. Teacher numbers and the cost of incentive allowances are particular areas of uncertainty.

While, therefore, I would see the figure of £385 million as at the upper end of the range, I am content that it is a legitimate interpretation of the 5 per cent constraint we agreed at E(EP).

This clears the way for your announcement this Wednesday. I understand the terms of the remit to IAC and of the press announcement are being cleared with Treasury officials.

I am copying this letter to the Prime Minister, other members of E(EP) and Sir Robin Butler.

Yours sincerely,

P. Walters

PP JOHN MAJOR

[Approved by the Chief Secretary
and signed in his absence]