

PREM 19/1010

Proposal for a NATIONAL TRAINING COMMISSION
 Proposals to establish Training
 Colleges which will provide four-
 year courses.

EDUCATION

TECHNICAL AND VOCATIONAL TRAINING
 INITIATIVE (TVEI) PART I

OCTOBER 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
25-10-82		15-12-83					
8-11-82		21-12-83					
10-11-82		22-12-83					
15-11-82		23-12-83					
16-11-82		- At Ends -					
17-2-83							
1-5-83							
27-4-83							
16-5-83							
19-5-83							
29-6-83							
1-7-83							
14-10-83							
9-10-83							
31-10-83							
2-11-83							
3-11-83							
8-11-83							
21-11-83							
25-11-83							
12-12-83							

PREM 19/10/10

PART 1 ends:-

DES TO EMP. 23-12-83

PART 2 begins:-

AT to PM 3-1-84

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
EA(83) 9 th Meeting	14/12/1983
EA(83) 19	5/12/1983

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**

Signed *S. Gray*

Date 23/1/2013

PREM Records Team

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20. *[Handwritten signature]*

- 1) Mr Turnbull or
- 2) pa

DEPARTMENT OF EDUCATION AND SCIENCE
 ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
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24/12

FROM THE SECRETARY OF STATE

[Handwritten signature]

J B Shaw Esq
 Private Secretary to the
 Secretary of State for Employment
 Caxton House
 Tothill Street
 London
 SW1H 9NF

23 December 1983

Dear Barnaby,

WHITE PAPER "TRAINING FOR JOBS": MSC AND NAFE

with DB/AT

Your Secretary of State's letter of 22 December asked for comments on a draft of the White Paper by close of play on Friday 6 January.

As my Permanent Secretary explained at Michael Quinlan's meeting on 21 December, my Secretary of State has now left the office and only returns to this country on 6 January. It will not therefore be possible for you to receive our comments until close of play on Monday 9 January.

I am copying this to private secretaries to the recipients of your letter.

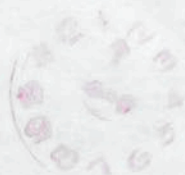
Yours,

[Handwritten signature: Elizabeth]

MISS C E HODKINSON
 Private Secretary

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29 DEC 1988



Prime Minister

To see note at end.

AT 23/12

MR TURNBULL

WHITE PAPER ON TRAINING

The Prime Minister has been sent the drafts of two parts of the proposed White Paper on Industrial Training.

Part I deals with all aspects of our proposals for training, except the changes to be made in the funding of NAFE. The contents of this part of the paper reflect decisions taken at E(A) on 13 December:

- The importance of the TVEI is stressed (paras. 21, 22).
- The YTS is to be retained, and its quality is to be consolidated (para. 29); the scheme is to remain voluntary (para. 32); age of entry to the scheme and length of course are to be flexible (para. 33); and there is no mention either of making the scheme permanent or of providing a guarantee of occupation for 17-year-olds.
- The YWS is to be focussed in 1984/5 on 17-year-old ex-YTS trainees (para. 30).
- In adult training, the possibility of a pilot loan scheme is to be considered (para. 46).

Nothing about entry in Para 33.

X We suggest that the Prime Minister should signify that she is content with this part of the draft.

Agree? Yes no

Part II of the paper deals with proposed changes in the funding of NAFE. The bulk of this part of the paper is satisfactory. There are, however, three points of importance:

- DES and DEm have not yet agreed how to interpret the transfer of £70 million in 1985/6 and £110 million in 1986/7 from the RSG to the MSC. DEm believes that the amounts should be transferred during the financial years concerned; DES believes that they should be transferred during the relevant academic years.

We suggest that the Prime Minister should settle this dispute by interpreting the transfer as follows:

(a) £70 million to be notionally transferred during the financial year 1985/6, of which only £40 million should actually be spent, since the academic year runs only from September 1985.

Quis?

?

(b) £110 million to be transferred during the financial year 1986/7, which can be wholly spent.

- DES and DEm also disagree about the extent to which we should constrain the subject areas funded by the MSC. DES suggest that the MSC should fund only named subject areas; DEm believe that the MSC should be left free to fund any part of vocational NAFE.

Agree?

We suggest that the Prime Minister should agree with the DEm, and should insist that MSC be left free to fund any part of vocational NAFE, subject only to the condition that MSC should undertake in general to continue to fund present NAFE courses during the first academic year of the new arrangements.

Yes no Y

- Paragraph 7 of the draft suggests that staff should be seconded from LEAs to the MSC Area Manpower Boards.

We suggest that the Prime Minister should resist this move, on the grounds that we do not want to turn poachers into game-keepers. But the White Paper should also make plain that LEAs will be expected to reduce manpower in accordance with their reduced responsibilities for NAFE.

Z.
I would not oppose this totally. MSC itself may be happy to make use of some LEA input.

We assume that the Prime Minister will have another chance to comment on the White Paper, once a draft has been agreed between Departments.

Prime Minister Yes no

Agree X and Y? On Z I suggest

I sound out David Young to see precisely what he wants.

On finance, I agree with Olive's proposal. If £70 million were transferred from RSG in 1985-86, ~~but~~ it would be spent at an annual rate of much more than that as spending does not start until September 1985.

OLIVER LETWIN

Yes no

It looks very odd if only 40m will be spent why should 70m be transferred?

AT 23/12



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The Rt Hon Sir Keith Joseph Bt MP
Department of Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

22 December 1983

Dear Secretary of State

WHITE PAPER "TRAINING FOR JOBS": MSC AND NAFE

I am writing separately, under less restricted cover, to you and the other recipients of this letter seeking comments on a draft of the White Paper which E(A) Committee agreed that we, jointly with George Younger and Nicholas Edwards, should present after the House reassembles in January.

I now enclose a draft section, for eventual incorporation in that White Paper, concerning changes in the MSC's responsibilities for work-related training in the non-advanced further education sector, in accordance with the decisions reached at the Prime Minister's meeting on 20 December. This material would be added to what is already said in the general draft about delivery, involving some editing of the latter.

I am circulating this separately to enable you and other recipients the more easily to keep knowledge of the contents of this section to the few officials who necessarily need to know. I would emphasise this point particularly to Jim Prior whose Department has not previously been involved. Neither this section nor the White Paper generally extends to Northern Ireland, but he will no doubt wish to be aware of what is proposed in case it has any implications for Northern Ireland.

The attached draft has, I understand, been generally agreed between officials subject to two major outstanding points of difference, which I think we may need to meet to discuss at your earliest convenience.

First, I understand that you take the view that the agreement at the Prime Minister's meeting that in 1985/86 £70m of RSG resources should be transferred to MSC, and £110m in 1986/87 referred to academic years, rather than financial years, so that only some £40m should be transferred in the 1985/86 financial year, and only some £95m in 1986/87. My interpretation was that the figures of £70m and £110m themselves related to financial years and were the earliest that the changes could be made through the RSG system. I thought it was common ground that it was essential to get this going as soon as possible.



Secondly, we seem to be in difficulty over what should be said about the way in which we expect the Commission to use the money. It is, I think, common ground that the Commission will be required to use it exclusively for supporting work-related non-advanced further education to meet national and local labour market priorities. I think it also agreed that the preparation of a detailed plan should be consequent upon the Commission consulting with the LEAs and others concerned, submitting proposals to us, and our decisions on their proposals. We do however need to give both the Commission and the LEAs and others an indication in the White Paper of our thinking as to how the Commission should go about this.

My view on what should be said on this is set out in paragraph 6 of the attached draft. I understand that you would prefer the alternative version prepared by your officials, which I am also circulating for the convenience of our colleagues. I hope that we can quickly resolve this between ourselves, but I must say that I find it inconsistent with the whole purpose of this exercise that we should ourselves at this stage identify particular subject areas or client groups to which the MSC funding should be directed. That is something which can be determined only in the light of the Commission's consultations with employers as well as LEAs, and it will indeed vary over time. The figure of £110m in a full year was not arrived at as representing the current cost of particular courses, but as I understand it intended, taken together with the £90m which the Commission currently spends on NAFE, to give them adequate leverage - representing about a quarter of the total work-related NAFE spend, to effect necessary reforms.

I should be grateful for comments on this section as for the draft generally, by close of play on Friday 6 January, and suggest that we should arrange to meet as soon as possible thereafter.

I am copying this letter and enclosures to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry, Scotland, Wales and Northern Ireland, the Chief Secretary and Sir Robert Armstrong.

Yours sincerely

(Approved by the Secretary of State
and signed in his absence)

1 If the important developments described in this White Paper are to be carried through successfully, the Government believes that a more unified and coherent direction must be given to public sector provision for training and vocational education as a whole. It needs to be one that makes the whole system more responsive to employment needs, both at national and local level, improves co-ordination between public/sector and other sources of training and gives a greater incentive to the public sector to provide the best possible value for money and to link its offering more closely to the needs of the customer.

2 The Manpower Services Commission, which consists of representatives of employers, unions and local authority and education interests, is now the main agency through which the Government institutes action and monitors progress in training. Since its establishment - particularly in the last 3 years - the Commission has developed increasingly close relationships with the Education Departments and with local education authorities and their institutions at local level through implementation of the Technical and Vocational Education Initiative, the Youth Training Scheme and the Open Tech, as well as the Training Opportunities Programme.

3 The Government has now decided to give the Commission important new responsibilities relating to the purchase of a significant proportion of work-related Non-Advanced Further Education provided by Local Education Authorities in England and Wales. In Scotland with its somewhat different pattern of education provision current arrangements will [for the time being] remain unchanged.

4 At present, total expenditure on the Non-Advanced Further Education (NAFE) sector is about £1.2 bn per annum, of which some £800m is devoted to provision that is work-related. The Manpower Services Commission itself currently provides about £90m as a customer, direct or indirect, for courses or services. About £60m comes from fees from individuals, employers, and other

institutions. The bulk of the expenditure is borne by local authorities, and attracts rate support grant in the same way as other local authority services. None of the rate support grant is hypothecated to particular services, but for local government expenditure as a whole rate support grant together with specific and supplementary grants will represent about 52% of estimated relevant expenditure in 1984-85. Thus it could be said the bulk of the expenditure on work-related NAFE is borne about equally by the rate-payer and the taxpayer, though no precise attribution is possible, and the proportions of expenditure supported by rates and grant will vary from authority to authority.

5 The Government has decided that an additional £70m should be provided to the MSC in 1985/6 and £110m in 1986/7 to spend on work-related NAFE. This would bring total MSC expenditure on work-related NAFE to £200m, approximately a quarter of total provision. The increase will be found by an offsetting reduction in the provision for local authority expenditure on this activity, and Ministers will take account of this reduction in setting the rate support grant total. These arrangements will be subject to consultation with the local authority associations through the normal consultative machinery that exists for the consideration of rate support grant issues.

6 The Commission will be required to devote these additional resources to supporting work-related further education to meet national and local/labour market priorities. The Commission will have to consider in consultation with local government^{employers} and other interested parties exactly how these additional resources will be deployed, and will be asked to make its proposals to Government. The Commission will be expected to secure the provision of occupational courses in line with labour market requirements, to ensure that emphasis is placed on providing skills which are likely to be most in demand and to seek to improve value for money to the taxpayer. It is envisaged that the great bulk of these resources, though not necessarily all, will continue to be spent within the local authority NAFE sector. The Commission will be required to manage as a coherent whole these and the vocational training resources for which it is already responsible; and to involve industry and commerce and the further education sector of local education authorities in planning and developing relevant and

co-ordinated provision at both local and national level.

7 The Commission is being asked as a matter of urgency to consider, consult and report to Government on appropriate machinery at both national and local level for the administration of its new responsibilities. The consultations will cover machinery at national level, and for local level, the functions, number, membership and geographical coverage of the Commission's Area Manpower Boards. The Commission's own staff will need to be strengthened, both at Head Office and in the field, by the addition of staff on secondment from the local education authorities and others with direct experience in this field.

8 The statutory composition of the Commission itself, which includes two members appointed after consultation with local authority associations and one after consultation with professional education interests will remain unchanged. Its members will continue to be appointed by the Secretary of State for Employment. In future appointments, however, the Secretary of State for Education will be responsible not only for the necessary consultations on the representation of professional education interests but also on the representation of local authority interests in England and Wales, as the Secretary of State for Scotland ^{already} is in respect of Scotland.

9 The Commission will continue to report on the whole of its activities to the Secretary of State for Employment and, in respect of programmes run in their countries, to the Secretaries of State for Scotland and Wales, but the Secretary of State for Education and Science will be fully involved in the consideration and approval of the Commission's Corporate Plan and in major changes in policy affecting the non-advanced further education field. Education Ministers will remain responsible for overall policy on further education and for educational standards through HMI.

10 The Commission is being asked to begin discussions with local authority associations and others concerned immediately, so that plans can be settled in good time for the beginning of the 1985/6 academic year (ie from the Autumn of 1985). It is the Government's intention that local education authorities and

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other appropriate educational interests and their representatives should be involved at every stage of the development of these important new arrangements.

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DES Outline of presentation in the January White Paper

1. The interface between education and training has been blurred for too long. The division of functions needs to be clearer and more effective.
2. The Government believes that certain areas of vocational education need to be commissioned either directly by employers or by a body whose function is to represent their needs - the MSC. It therefore wishes the LEAs to cease to regard it as their responsibility to finance courses in the following subject areas [and for the following client groups] and the MSC to take on that responsibility. The subject areas [and groups] are
3. The expenditure in question is currently of the order of £110m a year in England. The Government intends MSC to finance courses in this area to the tune of £110m in 1986/7 and to move towards this situation in 1985/6 by funding them to the tune of £70m. Local authority relevant expenditure will be reduced correspondingly.
4. The Government looks to the local authorities to continue to be responsible for the provision of other types of vocational education in their colleges (as well as their non-vocational work.)

Outline of
DES alternative
to para 5 of
DE draft

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5. To ease the effect which the change of funding will have on the LEAs' management of their colleges, the MSC intend during 1985/6 to use the transferred £70m to fund in the areas in question broadly that provision already planned or envisaged by the LEAs; and to consult the LEAs at local level about changes in provision which the MSC will require for 1986/7 in time to enable the LEAs to make the necessary adjustments.

This was agreed at your meeting
(i) it gives LEAs time to adapt
(ii) it gives MSC time to assess what is good and what is bad.

✓ FM



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The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education and
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22 December 1983

De Reite

WHITE PAPER ON VOCATIONAL EDUCATION AND TRAINING

We agreed at E(A) on 13 December that a White Paper on vocational education and training should be published soon after the House reassembles in January, to be presented jointly by you and me and the Secretaries of State for Scotland and Wales. I attach a draft which is still subject to presentational and stylistic editing, but I would be grateful for comments on points of substance by close of play on 6 January.

Copies of this letter go to the Prime Minister, the Chancellor, the Chief Secretary, the Secretaries of State for Northern Ireland, Environment, Scotland, Wales and Trade and Industry and to Sir Robert Armstrong.

2-7-83

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DRAFT WHITE PAPER

TRAINING FOR JOBS

1. Britain lives by the skill of its people. A well trained work force is essential to our economic survival, and to everything we want to achieve by way of a better and a fuller life for everyone.

2. But training is not an end in itself. Training is a means to doing a job of work for an employer or on one's own account. Training must therefore be firmly work based, work orientated, and lead to jobs.

THE OBJECTIVES

3. In the December 1981 White Paper "A New Training Initiative: A Programme for Action" (Cmnd 8455), the Government set out its objectives, based on recommendations it had received from the Manpower Services Commission. The Government's objectives may be summarised as:

- (a) better preparation for working life in schools and better arrangements for the transition from full-time education to work
- (b) modernisation of skill training, particularly to replace out-dated age limits and time serving with training to agreed standards of skill appropriate to the jobs available
- (c) to open up wider opportunities for adults to acquire increase or up-date their skills.

4. A great deal has been achieved in the two years since the White Paper was published. Important steps have been taken to improve the preparation of young people for their working lives while they are still in full time education. In particular the Technical and Vocational Education Initiative is piloting experimental courses covering the four years from age 14 to 18, linking vocational education with work experience.

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5. The Youth Training Scheme is now fully under way offering those who leave school at 16 or 17 the opportunity of a year of planned work experience and training, the great majority of places being provided and sponsored by employers. Progress has been made towards modernising skill training in a number of sectors of industry and commerce.

6. For adults, the Open Tech Programme for opening access to training and re-training opportunities has been introduced and the Manpower Services Commission have put forward recommendations to give new impetus for adult training generally, including a major re-structuring of their own programmes.

7. It is therefore timely to take stock of the position. In this White Paper the Government reviews what has been achieved in each of the three main areas: preparation for working life; skill training; and adults. It then draws conclusions as to the need for further improvement in the means of delivery of its objectives, and the next steps.

8. But first the next section of this White Paper sets out the conclusions the Government has drawn from all this experience as to responsibilities for training, and in particular the respected roles of employers, Government, and trainees themselves.

RESPONSIBILITIES FOR VOCATIONAL EDUCATION AND TRAINING

9. If as a country we are to achieve these necessary improvements in vocational education and training it is essential that everyone concerned should work together with a clear understanding of what their own responsibilities are and what part others are expected to play.

10. Employers were estimated in 1980 to be spending around £2½ billion a year on training. The state funds educational provision, to the extent of £4 billion a year for post 16 education outside schools, which directly or indirectly prepares young people for employment. Over the last two decades, the Government has been drawn more and more into financing actual training, from under £10 million in 1960 (at constant 1982 prices) to some £450 million

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in 1980 and (with the advent of the Youth Training Scheme) nearly £1 billion this year. Yet we may face shortages of skill in quality and quantity.

11. Training ought to equip people with the skills required to produce the goods and services that customers are prepared to buy. Unless it is geared to meet the needs of the market, training will not be seen as a worthwhile investment. In the Government's view the route to success lies, not in yet more central intervention, but in maximising the extent to which employers and trainees themselves determine who is trained and in what skills.

12. If they are do to this then important changes need to be made. First, investment in training needs to be made more attractive financially. It must be carried out as cost effectively as possible. That means keeping costs down, including the willingness of trainees to accept levels of maintenance which recognise the value of the training given. It also means getting rid of artificial restrictions on the time taken to complete training and put the skills required to use. It requires the development of effective methods of training, and of assessing competence. It requires wide availability of information about the likely supply and demand of skilled labour and training opportunities, in particular localities.

13. Most of these improvements are obtainable only through action within industry and commerce. Much depends on the decisions of individual employers but there is also a lot to be done by employers acting collectively through employers organisations or in association with others concerned in voluntary industrial training organisations, or statutory Industrial Training Boards. Such bodies have an important part to play in setting standards, developing techniques and offering advice on a consultancy basis.

14. It is for the Government, on behalf of the community at large, to provide basic education, both general and vocational; to ensure that the Education Service responds to changing needs in the world of work and to help to improve provision for the transition from education to work. It is also the Government's role, exercised largely through the Manpower Services Commission to put employers, trainees and providers of training in touch with one

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another, especially at local level; to encourage the development of nationally recognised standards of competence; to fund experimental courses in new technologies and new techniques; and to provide special help for training the disabled, the long term unemployed and other disadvantaged groups. In all this, however, the Government will seek to maximise the extent to which the costs are borne by those who benefit commercially, and to use public funds in ways which support, and do not undermine, normal market forces.

15. It is for trainees themselves to recognise the benefits of training, to accept that the costs of training must be taken into account in determining the level of pay or allowances. It also for trainees to show individual enterprise in the use they make of new opportunities, such as those offered by the Open Tech programme to train, possibly with a view to self-employment. In some circumstances they may wish to consider financing their own training by means of a loan - a possibility which is referred to later in this White Paper.

16. These conclusions on the allocation of responsibility are reflected in the proposals set out in the following paragraphs for developing specific areas of vocational education and training. The Government has been assisted in reaching them by the advice received from the Manpower Services Commission in developing the programmes both for young people and adults.

17. In making the proposals below the Government is acting in accord with its commitments in the European Community. In particular, it will base the scale and speed of implementation of its proposals, where appropriate, on its expectations of continuing and expanded aid from the European Social Fund.

THE TRANSITION FROM FULL TIME EDUCATION TO WORK

18. The Government, with the Education Service, is developing the effectiveness of the contribution which schools and colleges make to the necessary preparation of children and young people for working life. The measures taken are designed to be compatible with what the Youth Training scheme does for those young people who have entered working life, so that either route will serve to lay the foundation for more specific training at work.

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Developments within education

19. Central and local government has the dominant responsibility for educational provision, and especially for the period of compulsory education. Nearly one-third of young people aged 16-19 continue their full-time education at school or college. Full-time education during and after the compulsory period is one of the main routes into work.

20. Since the 1981 White Paper, the education service has made substantial progress in developing a school curriculum which fosters the personal qualities, competence and understanding of pupils, so as to equip them for the world into which they are growing up and the challenges and opportunities which will face them in their working life. Among the many initiatives are the formulation of objectives for mathematics and science teaching, the preparation of national criteria for the improvement of the 16 plus examinations and their syllabuses, the development of records of achievement to be available eventually to all school leavers, and the programmes for microelectronics education and for pupils for whom the 16 plus examinations are not designed.

21. The Government wishes to offer young people of all abilities coherent programmes for 14-18 with a strong technical and vocational component. The Technical and Vocational Education Initiative (TVEI) began in September with pilot projects in 14 local authorities. Its coverage will be extended very widely this year and applications to take part have now been received from the great majority of local education authorities in England and Wales. The initiative is being monitored and evaluated in order to derive the educational lessons enabling it to be applied readily and cost-effectively in other localities and to other groups within the age range. An important aspect of the TVEI is that the concepts, techniques and equipment involved can be made more widely available to pupils not formally covered by the Initiative. This process has begun.

22. Important improvements are being made in the provision of vocational education for those continuing in full-time education or being released by

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employers for part-time education after compulsory school leaving age. In England and Wales, the Certificate of Pre-Vocational Education (CPVE) has been introduced for those who stay on full-time for one year without precise employment objectives. The formation in 1983 of the Business and Technician Education Council (BTEC) has created a single national body dealing with the vital area of technicians (and equivalents in the professions and commerce). BTEC and the City and Guilds of London Institute have stated their intention to develop their existing provision into a more coherent system of pre-vocational education. A useful step has been taken towards a co-ordinated system for recognising competence across the training and education aspects of technician formation as a result of the recent agreement between BTEC and the Engineering Industries Training Board.

23. Links between schools and colleges and employers, particularly locally, are being strengthened. The Department of Education and Science is establishing pilot College-Employer Links projects (CELP) with local education authorities in order to identify and disseminate good practice.

Scotland

24. In Scotland for 14-16 year olds, new courses and an improved system of assessment are being introduced in the Scottish Certificate of Education (SCE) Standard grade progressively from 1984/85. Courses with a particular vocational or technological emphasis will provide pupils with more relevant experience in schools for later working life. Performance-based assessment will provide better recognition of attainment of pupils of all abilities.

25. For 16-18s, major changes were announced in the Government's Action Plan of January 1983. A more flexible system of modular courses is to be introduced leading to a single new vocational certificate which will absorb the Scottish Certificate of Vocational Studies and other non-advanced further education qualifications as agreement is reached with examining bodies and employers. A close relationship will be developed with YTS certification. General and specialist modules may be combined in different ways to provide full-time and part-time courses in schools and further education colleges to

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suit the needs of individual students and the requirements of employers. Although primarily designed for young people the new courses will also meet the needs of many adults entering training or returning to education. The new framework for 14 to 18 developments, together with other initiatives such as the Scottish Micro-electronics Development Programme, will encourage closer links between schools and non-advanced further education and between education, training and work. It will also complement the aims of TVEI in England and Wales.

The Youth Training Scheme

26. [Over 300,000] young people have so far commenced training under the Youth Training Scheme. The Scheme offers those who leave full-time education at 16 or 17 a 12 month course of planned work-experience integrated with off-the-job training. It is open to all 16 and 17 year old leavers who are unemployed, and to some employed 16 year olds. It is also open to disabled young people leaving school up to age 21.

27. The Scheme is work based. The great majority of places are sponsored by employers and are centred on the factory, office or other place of work (Mode A). Some training places are also provided by a variety of organisations on community projects, in training workshops etc (Mode B). The Scheme is administered by the Manpower Services Commission with advice from the Youth Training Boards and local Area Manpower Boards.

28. The Government announced the Scheme in June 1982. It was launched in April 1983 and came fully into operation in September. Take up is so far about 20% less than planned, mainly because more young people than expected have entered employment outside the Scheme.

29. The next year will be essentially as a period of consolidation, with particular attention to improving the quality of training given, both on and off the job. The Scheme will cater for much the same groups of young people as now. However, to encourage employers to bring more of their 16 year old employees within the Scheme, and to help more 17 year olds find jobs, the Government has decided that the alternative Young Workers Scheme will in 1984-85 be available for 17 year old employees only.

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30. The Young Workers Scheme is designed to encourage the creation of real jobs for young people at realistic rates of pay. From 1 April 1984 it will offer employers a subsidy of £15 a week for young people earning £50 or less a week who are in their first year after leaving school at 17, or have been out of school for a year after leaving at 16, including those who have had a year on the YTS. The two schemes will then complement one another, and avoid the present degree of overlap.

31. Employers who take part in the YTS as Mode A managing agents will continue to receive a grant, subject to annual review, of £1,950 a year for each trainee taken on. This comprises £100 managing agent's fee, £1,300 to cover the trainee allowance of £25 per week, and £550 contribution towards the cost of training. This grant is in recognition of the extent to which the young people concerned might otherwise be unemployed, and of the degree of general benefit to the community of the training given.

32. Participation in the YTS remains entirely voluntary, both for employers and for young people. Employers who take part may engage the young people as trainees or employees as they wish. Any young person who refuses an offer of a suitable opportunity under this Scheme risks a similar reduction in entitlement to social security benefit as applies under any other approved training.

33. The period of training is normally 1 year. But it may be shorter, and the content tailored as far as possible, to take account of any relevant further education, training or work experience already received by the trainee. Any training beyond this first year is a matter for the employer, with the exception of the slightly longer courses which are currently provided within the Scheme for the disabled.

34. The Scheme will continue to cover the first year of skill training for young people (including apprenticeships) provided that the initial year is broadly based, and that the training as a whole is in line with the Government's objectives for the modernisation of skill training.

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35. The standard of training required under the Scheme will be integrated more closely with vocational courses in schools and further education. The Government will seek to develop a comprehensive system of standards and certification which is inter-changeable between school, further education and training at work. In this the Manpower Services Commission will have a leading role.

36. Looking further ahead the Government see a continuing need for better and more co-ordinated provision to help young people progress from education to work as smoothly and effectively as possible. This is as much in the interests of the nation as it is of the young people themselves.

MODERNISATION OF SKILL TRAINING

37. Beyond foundation training lies skill training, which must be the responsibility of employers and individual trainees. The second of the national training objectives in paragraph 3 above relates to the modernisation of skill training, including apprenticeship and here progress has been less dramatic.

38. In the early 1970s, employers recruited over 100,000 apprentices a year. The figure for 1983/84 will be less than 40,000 and in recent years not all the assistance offered by Government has been taken up by employers. To some extent this dramatic fall reflects a long-term decline in employment in major industries that have traditionally provided apprenticeships. But there is clear evidence that current levels of recruitment in some industries will not be adequate to meet employers' continuing needs for skilled people. The shift towards more full-time courses in colleges of further education will not wholly remedy this.

39. The government has continued to provide financial support for first year apprentice training through the Youth Training Scheme. It does not make sense, however, for either industry or Government to train people who will have no foreseeable opportunity to practice their skills. This emphasises again the critical need to modernise the arrangements for access to provision

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of and use of skill training, so that the system can respond flexibly to emerging needs for skill. This applies both to initial skill training and to the subsequent acquisition of new or continued skills or updating old ones. In each case the aim is training which is rapid, flexible and cost-effective, which can respond to signals of skill needs from the market place and so forestall possible skill shortages, particularly where there are new skill requirements in industries and occupations which at present lack proper training arrangements.

40. Some industries have made substantial progress towards reforming their training arrangements. In engineering, agreement has been reached to replace time serving by agreed standards; in electrical contracting a standards-based and modular system has been established with no age restrictions on entry; important advances have also been made in other areas including printing, construction and office skills. But much still needs to be done to secure the target adopted in the 1981 White Paper of training based on achievement of agreed standards rather than time serving for all key occupations by 1985.

41. Progress in this areas is a matter for employers and trade unions, with technical support and assistance from industrial training and validating bodies. MSC will, however, play a key role in stimulating action to achieve the 1985 target and to open up access to training and jobs. The Commission has made acceptance of progress a condition of continued support of initial skill training through the Youth Training Scheme. A similar condition will be applied to schemes of adult training.

ADULT TRAINING

42. The third national training objective - to open up improved opportunities for training and re-training of adults - has had less attention than the other two. Nonetheless, there has been progress. The Open Tech programme, now has in train 40 projects to provide open and distance learning in technician and supervisory skills. On current plans, about 50,000 people will benefit from courses supported by Open Tech in 1985-86. The Department of Education and Sciences' PICKUP project is also encouraging colleges to

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undertake similar developments in relation to a wider range of occupations. And the Government has taken a number of initiatives to encourage Colleges of Further Education to develop more flexible and relevant provision in response to employers' needs.

43. Earlier this year, the MSC undertook extensive consultations on the basis of a discussion document entitled "Towards an Adult Training Strategy" and published in November its recommendations to the Government for a major initiative to improve adult training. The recommendations include mounting a major national campaign to raise awareness of the need for adult training amongst employers, potential trainees and providers of training; action at national level to secure greater coherence and responsiveness in the machinery for providing adult training and education; strengthening of some important features of the training and labour markets; and restructuring the Commission's own adult training programmes so as to contribute more cost-effectively to meeting industry's needs. A major objective of this strategy is to secure an adequate supply of people with up-to-date skills to meet the demands of new technologies upon which economic growth must be based, and the capacity to cope with continuing change. We cannot rely simply on training young people: we need to upgrade skills of those already in the labour force, employed and unemployed, and to enable them generally to adapt to change.

44. The Commission's recommendations are of two kinds. First, it intends to act as a catalyst for action by others, by such means as improving information on local training needs and sources of provision and encouraging collaboration between employers and training providers, including local education authorities. The proposed national awareness campaign will help substantially here. Secondly, the Commission proposes to restructure its own substantial training provision into two main programmes:

- (a) An industry-focused programme for both employed and unemployed people of job related training directed to known employment needs and to helping the creation and growth of businesses. Under this programme the MSC would offer help to employers to train or upgrade the skills of their employees in key areas. It would also relate

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the supply of skill training of unemployed people more closely to identified local employment needs and continue to support demonstration and pump-priming projects, including training packages to help employees facing redundancy, and training for self-employment and small businesses.

- (b) A programme of further help for unemployed people who need training at a more basic level, particularly to restore employability after long periods of unemployment. Such training might be provided through the short work-preparation courses already provided under TOPS or in conjunction with the Community Programme and the existing Voluntary Project Programme.

The Commission proposes to start implementing these proposals experimentally in 1984-85 and to begin the main restructuring of its own programmes in 1985-86.

45. The Government endorses this approach as entirely in line with the market-orientated approach to training that is now required. It will enable many more people to be trained and improve their prospects of employment by placing greater emphasis on equipping them with skills that are actually required. The total number trained would be in excess of 250,000 (including some 125,000 unemployed) compared with some 110,000 (80,000 unemployed) under existing programmes. As a result of tailoring provision to meet specific needs this would be achieved within the £250 million currently allocated to support adult training.

46. The Government will consider the Commission's proposals to incorporate training into some part of the Community Programme when it considers the results of evaluation of the Programme early in 1984. The Commission has also proposed that an investigation should be made of the possibility of a pilot scheme under which the Government would guarantee repayment of loans for training purposes made by banks mainly to employed people, possibly with an element of subsidy. The Government intends to examine this proposal, in collaboration with the Manpower Services Commission.

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DELIVERY

47. The 1981 White Paper said the Manpower Services Commission, which includes representatives of employers, unions and local authorities, would continue to be the main agency through which the Government instituted action and monitored developments in industrial training. Since 1981 the Commission has developed much closer relationships with the Education Departments and local education authorities. This will continue in order to ensure the necessary coherence in the development of vocational education and training policy.

48. It is vital also to involve local employers closely with the work of the education and training services. Much is being done through the network of Area Manpower Boards which are advising the Commission on setting up and monitoring the Youth Training Scheme in their areas. Boards will increasingly need to extend their focus to bring in local initiatives on adult training and in this area a key message of the PICKUP initiative is that education establishments must collaborate with employers to ensure that the training they offer is closely geared to the needs of industry and commerce. This collaboration may be achieved in various ways from involvement of employers in the management of institutions or joint developments of up dating programmes, to appointments of industrial liaison officers or informal links with local employers built up by college staff. Employers may also be able to provide financial or material support, for example by offering the use of premises, equipment or staff to help local schemes, as under the Technical and Vocational Education Initiative, where employers are also participating in local management of projects. In the longer term, the Government believes that employers should be prepared to take greater responsibility for the local development (and possibly even the administration) of training schemes.

49. Both commercial training providers and State-funded institutions, including skillcentres and Colleges of Further Education, must be geared to delivering training efficiently and cost effectively. In particular, the new Skillcentre Training Agency established by the MSC will ensure that skillcentres adopt a more commercial approach to identifying the training they should supply and marketing it both to the Commission and employers.

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CONCLUSIONS: THE NEXT STEPS

50. In the two years since the publication of the 1981 White Paper an encouraging start has been made towards realising the objectives which the Government then set out for modernising and developing the system of training in Great Britain. The need now is to build upon these foundations, so that every part of the structure is adequate for its purpose and fits with, and reinforces, every other part.

51. In schools and further education:

- (i) there should be continued systematic improvement of full-time education as a preparation for working life, with close co-operation between the Education Service and employers
- (ii) the Technical and Vocational Education Initiative will be developed and the outcome of this experiment closely monitored.

52. For young people starting work:

- (iii) the Youth Training Scheme will continue to provide foundation training, complementing what went before and leading on to more specific skill training as required subsequently
- (iv) the arrangements for skill training must be modernised, with all remaining restrictions removed as quickly as possible and access to skill training opened more widely

53. For adults:

- (v) employers and others concerned must be made more aware of the need to offer more opportunities for adults to acquire improve or up-date their skills

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- (vi) the Manpower Services Commission's own programme will be re-structured to provide more job related training as well as training more specifically geared to the needs of long term unemployed
- (vii) the Open Tech programme will continue to be developed
- (viii) the Government will examine, in collaboration with the Manpower Services Commission and others, the possibility of establishing a loan scheme for training

54. The means of delivery:

- (ix) the Government's plans will ensure better co-ordination of effort, both nationally and locally
- (x) in particular the Government will seek to ensure the development of inter-changeability of standards and certification.

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Subject
c. Master Set



File
19

10 DOWNING STREET

From the Private Secretary

22 December 1983

Dear Barnaby,

Work Related Training in Further Education

You expressed concern that recording the discussion at last Tuesday's meeting on the future of the MSC's employment services could create difficulties. You were worried about having this record lying on departmental files several months in advance of a specific decision. We agreed, therefore, that I would recirculate the record without this passage and record it separately in a letter for more limited distribution.

The meeting considered whether MSC's employment services should be transferred to the Department of Employment enabling the MSC to be transformed into a National Training Commission. The legal advice was that this change might well be achieved under existing legislation. However, there was some risk of legal challenge and in any case it might be better to make one change at a time. It was therefore agreed that the employment responsibility should remain with MSC for a further year when the issue would be looked at again. This would permit legislation to be introduced to effect the transfer.

I am copying this letter to John Kerr (H.M. Treasury), Christine Duncan (Lord Advocate's Department), Henry Steel (Law Officers' Department), Chairman, Manpower Services Commission and Richard Hatfield (Cabinet Office). I would be grateful if this letter were not copied outside Private Offices and were shown only to those who need to know of its contents.

Yours sincerely
Andrew Turnbull

Andrew Turnbull

J.B. Shaw, Esq.,
Department of Employment.

SUBJECT



cc. O.L.

1815

10 DOWNING STREET

From the Private Secretary

21 December 1983

Dear Barnaby,

Work Related Training in the Further Education Sector

The Prime Minister held a meeting yesterday to discuss work related training in the further education sector. Present were your Secretary of State, the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Trade and Industry, Scotland, Wales, the Chief Secretary, the Lord Advocate, the Solicitor General, Lord Bellwin, the Chairman of the Manpower Services Commission and Sir Robert Armstrong. The meeting had before it the paper of 12 December prepared by officials under the Chairmanship of Sir Robert Armstrong.

The Chairman of the Manpower Services Commission said that the MSC had undertaken three substantial reforms, YTS, CP and TVEI. Its next major project was to bring about a reform of work related training in NAFE. The aim was to produce training which was employment related and responsive to local needs. This could be done by transferring to the MSC part of the RSG resources currently attributed to NAFE. MSC would use these resources to purchase training courses from FE colleges.

In discussion, this objective was unanimously endorsed. Though some areas of FE were satisfactory, large areas were not. The customer/contractor principle, upon which the proposal was based, would provide an external stimulus for improvement which was currently lacking.

The main issue was the size of the resources and the speed with which they should be built up. The paper by officials identified two options; a transfer of £200m, built up very quickly and a transfer of £100m built up from around £30m over 3-4 years.

The Secretary of State for Education and Science was concerned that the larger option would antagonise local authorities and would jeopardise their co-operation which was required for the major initiatives, eg on standards in schools and on improving the quality of teachers, that he was about to announce. A further problem was that as soon as the scheme was announced local authorities would seek guidance from him on how the change would affect them. It was important that he should be in a position to respond to this. In addition he was worried that resources might be diverted from schools by those authorities that were losing grant. For all these reasons he preferred the smaller figure and the slower build-up.

/ In further

In further discussion it was argued that the impact on local authorities needed to be studied very carefully as it could provide a further bone of contention with them at a time when their co-operation was being sought. There could be a harmful impact on the rate capping initiative. It was noted that the effect on local authorities would vary, some being net gainers, some being net losers. In practice the scheme would tend to benefit high spenders and penalise low spenders unless mechanisms were devised to prevent this.

Treasury Ministers were worried that the impact on spending would not be symmetrical. Those losing more in grant than they received from the MSC might raise rates to sustain their existing expenditure. Those gaining could use the extra receipts to finance additional expenditure.

To deal with this leakage, Treasury Ministers felt that an offsetting reduction should be made in MSC's total financial provision. The Secretary of State for Employment accepted that in principle the change should be neutral but he was worried that to announce a cut in the MSC's resources at the time the scheme was being announced would blunt the impact.

It was agreed that Scotland should continue to develop its own plans. The Secretary of State for Wales sought an assurance that Wales would be ring-fenced i.e. withdrawal of grant would be matched by MSC expenditure.

Summing up the Prime Minister said that there was unanimous agreement on the principle of transforming the MSC by stages into a National Training Commission. It was agreed that in 1985/86 £70m of RSG resources should be transferred to the MSC (in addition to £90m which MSC already spent on NAFE) and £110m in 1986/87. This would bring MSC expenditure to £200m, approximately one-quarter of work related NAFE. The size of funding in later years was to be left open. It was agreed that arrangements were to be made to ensure that the impact on Wales was neutral. Scotland was to continue developing its own proposals.

The Secretaries of State for Employment, Education and Science and the Environment, in conjunction with Treasury Ministers, should undertake further work to examine the differing impact on local authorities and to devise a formula which would minimise it. They should also examine ways of ensuring that the proposal did not lead to a net increase in expenditure. Further work should be undertaken on arrangements for involving educational interests in the work of the MSC. This work should be undertaken urgently in order to ensure that the scheme was sufficiently developed for announcement in the White Paper on Training.

I am copying this letter to the Private Secretaries to those who attended the meeting and to John Ballard (DOE).

Yours sincerely
Andrew Turnbull

(ANDREW TURNBULL)

J.B. Shaw, Esq.,
Department of Employment.



10 DOWNING STREET

From the Private Secretary

21 December 1983

letter
sent.

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The Prime Minister held a meeting yesterday to discuss work related training in the further education sector. Present were your Secretary of State, the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Trade and Industry, Scotland, Wales, the Chief Secretary, the Lord Advocate, the Solicitor General, Lord Bellwin, the Chairman of the Manpower Services Commission and Sir Robert Armstrong. The meeting had before it the paper of 12 December prepared by officials under the Chairmanship of Sir Robert Armstrong.

The Chairman of the Manpower Services Commission said that the MSC had undertaken three substantial ^{reforms} ~~requirements~~, YTS, CP and TVEI. Its next major project was to bring about a reform of work related training in NAFE. The aim was to produce training which was employment related and responsive to local needs. This could be done by transferring to the MSC part of the RSG resources currently attributed to NAFE. MSC would use these resources to purchase training courses from FE colleges.

In discussion, this objective was unanimously endorsed. Though some areas of FE were satisfactory, large areas were not. The customer/contractor principle, upon which the proposal was based, would provide an external stimulus for improvement which was currently lacking.

The main issue was the size of the resources and the speed with which they should be built up. The paper by officials identified two options; a transfer of £200m, built up very quickly and a transfer of £100m built up from around £30m over 3 - 4 years.

The Secretary of State for Education and Science was concerned that the larger option would antagonise local authorities and would jeopardise their co-operation which was required for the major initiatives, eg on standards in schools and on improving the quality of teachers, that he was about to announce. A further problem was that as soon as the scheme was announced local authorities would seek

/ guidance

guidance from him on how the change would affect them. It was important that he should be in a position to respond to this. In addition he was worried that resources might be diverted from schools by those authorities that were losing grant. For all these reasons he preferred the smaller figure and the slower build-up.

In further discussion it was argued that the impact on local authorities needed to be studied very carefully as it could provide a further bone of contention with them at a time when their co-operation was being sought. There could be a harmful impact on the rate capping initiative. It was noted that the effect on local authorities would vary, some being net gainers, some being net losers. In practice the scheme would tend to benefit high spenders and penalise low spenders unless mechanisms were devised to prevent this.

Treasury Ministers were worried that the impact on spending would not be symmetrical. Those losing more in grant than they received from the MSC might raise rates to sustain their existing expenditure. Those gaining could use the extra receipts to finance additional expenditure.

To deal with this leakage, Treasury Ministers felt that an offsetting reduction should be made in MSC's total financial provision. The Secretary of State for Employment accepted that in principle the change should be neutral but he was worried that to announce a cut in the MSC's resources at the time the scheme was being announced would blunt the impact.

It was agreed that Scotland should continue to develop its own plans. The Secretary of State for Wales sought an assurance that Wales would be ring-fenced ie withdrawal of grant would be matched by MSC expenditure.

X | The meeting then considered whether MSC's employment services should be transferred to the Department, enabling the MSC to be transformed into a National Training Commission. The legal advice was that this change might well be achieved under existing legislation. However there was some risk of legal challenge and in any case it might be better to make one change at a time. It was therefore agreed that the employment responsibility should remain with MSC for a year and that legislation should then be introduced to effect the transfer.

Summing up the Prime Minister said that there was unanimous agreement on the principle of transforming the MSC by stages into a National Training Commission. It was agreed that in 1985/86 £70m of RSG resources should be transferred to the MSC (in addition to £90m which MSC already spent on NAFE) and £110m in 1986/87. This would bring MSC expenditure to £200m, approximately one-quarter of work related NAFE. The size of funding in later years was to be left open. It was agreed that arrangements were to be made to ensure that the impact on Wales was neutral. Scotland was to continue developing its own proposals.

The Secretaries of State for Employment, Education and Science and the Environment, in conjunction with Treasury Ministers, should undertake further work to examine the differing impact on local authorities and to devise a formula which would minimise it. They should also examine ways of ensuring that the proposal did not lead to a net increase in expenditure. Further work should be undertaken on

/ arrangements

arrangements for involving educational interests in the work of the MSC. The employment responsibility of the MSC should remain with it for a further year, following which legislation would be introduced to bring about a transfer to the Department. This work should be undertaken urgently in order to ensure that the scheme was sufficiently developed for announcement in the White Paper on Training.

I am copying this letter to the Private Secretaries to those who attended the meeting and to John Ballard (Department of the Environment)

*Yours sincerely
Andrew Turnbull*

(Andrew Turnbull)

J. Barnaby Shaw, Esq.,
Department of Employment

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Yo.

Our ref:

Date:

21 December, 1983



Manpower
Services Commission

Selkirk House
166 High Holborn
London
WC1V 6PF

Telephone: 01-836 6126

Chairman: David Young

Barnaby Shaw, Esq.,
Private Secretary to the
Secretary of State,
Department of Employment,
Caxton House,
Tothill Street,
London, S.W.1.

Dear Barnaby,

My Chairman has asked me to place on record what he said to the Secretary of State on Monday evening about the timing of the publication of the January White Paper.

The Chairman would not wish to see the Paper published before week commencing 30th January. The reason for this is his desire to get the second round of TVEI settled. The TVEI National Steering Group meets on the morning of 23rd January to select projects for the second round and the Commission will be required to endorse this selection on the afternoon of 26th January. Any announcement before this latter date would surely jeopardise the TVEI selection.

I am copying this letter to ✓ Andrew Turnbull (10 Downing Street), Elizabeth Hodgkinson (DES), Richard Hatfield (Cabinet Office), John Graham (Scottish Office) and Colin Jones (Welsh Office).

Yours sincerely

David Vere

David Vere
Private Secretary

SECRET



10 DOWNING STREET

From the Private Secretary

Prime Minister

In moving the NTC meeting forward to accomodate the Sinn Fein meeting, there is now a clash with the Jenkins Press Conference on the Rate Limitation Bill which is published tomorrow at 10.30 am. Rather than let the Opposition have the medic to themselves for a hour, the Jenkins prefers to send Lord Belberrin to deputise.

This should not be crucial, DoE are likely to be arguing not about the merits of the 2 schemes as such, but about the need to take full account of the effect on local authority cooperation at a time when this is desperately needed.

- Agree the Jenkins stays with his Bill?
Yes not AT 19/12



MB

10 DOWNING STREET

Prime Minister

- ① Paper by RTA.
- ② Brief by RIA
- ③ Policy Unit note
- ④ Letter from Secretary of State for Scotland.

Is it worth all the trouble if all that is transferred is £100 million over 3-4 years?
MSC already finances £90 million out of £800 million of work related NAFE. Raising this to £190 million is hardly going to transform NAFE.

AT

16/12

Ref. A083/3476

PRIME MINISTER

Responsibility for Work-Related Training in the
Further Education Sector

BACKGROUND

Flag A

The paper for discussion is the note attached to my minute to you of 12 December which was commissioned at your earlier meeting of 1 November with the Secretaries of State for Education and Science, Trade and Industry and Employment. This outlines a proposal under which the Manpower Services Commission (MSC) would be able under existing legislation to carry out the functions envisaged for a National Training Commission. The MSC would be given responsibility for the direct funding of some work-related Non-Advanced Further Education (NAFE) by the transfer to the MSC of some part of the Government block grant distributed to local authorities through the Rate Support Grant (RSG) mechanism. In addition it would be possible, although this would go to the limits of what could legally be justified, for the Secretary of State for Employment to take back the employment service from the MSC so that it could concentrate its efforts on training and work-related NAFE. On balance my note comes down against doing that, largely because of the political difficulty of so profoundly changing the nature of a statutory body without legislation.

MAIN ISSUES

2. The main issues are as follows:
 - i. whether the proposed transfer of responsibility to the MSC for some work-related NAFE should go ahead;
 - ii. if so, what should be the scale of the transfer;
 - iii. what arrangements, if any, should be made to reduce the risk of net additional public expenditure;
 - iv. whether the MSC should continue to run the employment service;



- v. depending on i., what arrangements should be made to involve educational interests in the work of the MSC;
- vi. whether and, if so, how the scheme should apply to Scotland and Wales;
- vii. when and how any changes should be announced;
- viii. what arrangements should be made for further consideration by Ministers.

Merits of the Transfer

3. The main argument in favour of the proposed transfer to the MSC of responsibility for some work-related NAFE is that it would make this sector of education more responsive to national and local employment needs. The main considerations to be weighed on the other side are:

- a. the likely opposition of local authorities at a time when there is already controversy about the RSG settlement for 1984-85, the rate limitation proposals, and the abolition of the GLC and the Metropolitan County Councils;
- b. the risk of damage to other education policy initiatives, particularly in schools, which require the co-operation of local education authorities;
- c. the possibility that the increase in MSC expenditure, though matched by a reduction in block grant and in relevant expenditure, will not be matched by an actual reduction in local authority expenditure, thus leading to a net increase in public expenditure.

4. It is relevant to the points at 3a., b. and c. that the transfer of finance will balance out only at the aggregate level. Most local authorities will be gainers or losers. The Inner London Education Authority, which cannot lose grant since it does not receive any, will be a gainer in so far as it manages to sell courses to the MSC. The implications of this differing impact are discussed in paragraph 7 and 13 of my note.

5. We understand that the Secretary of State for Education and Science remains doubtful about the merits of the scheme, whatever the size of transfer. The Secretaries of State for the Environment and for Wales are worried about the effect on the Government's already difficult relations with the local authorities, but it is not clear whether either will press this point as far as opposing the scheme. The Secretary of State for Scotland, in his letter of 15 December, supports the broad objectives of the proposed change in England but argues (see paragraph 11 below) that the scheme need not, and should not, apply to Scotland. Treasury Ministers are said to be unenthusiastic about the merits but will probably not oppose the scheme if their public expenditure points are met. The Secretary of State for Trade and Industry is likely to support the Secretary of State for Employment in arguing for the scheme.

Scale of Transfer

6. The note illustrates two options for the scale of transfer: £200 million a year or £100 million a year, the latter possibly built up gradually from £30 million a year over three to four years. The advantages and disadvantages of each option, including the effect on courses provided, are discussed in paragraph 16 of my note and Annex B. Under either option there would be a switch of funding away from initial training for 16-19 year-olds to post-experience training, and away from direct course funding to central spending on teacher training, course development, etc. The £200 million option would give the MSC more leverage in improving the responsiveness of the further education sector to employment needs. But since it would involve, by design, a greater disturbance to existing arrangements, it carries the greater risk of opposition from local authorities, of harmful effects in other areas of education financed by local authorities, and of net additional public expenditure. The Department of Employment argues that the £200 million option could be less disruptive for local authorities than the £100 million option because it would provide more resources for direct course funding and because there would be less risk that the MSC's resources would be concentrated only

on a few local authorities. The Department of Education and Science does not however accept these arguments, and sees positive merit in a step by step approach.

Public Expenditure Arrangements

7. Treasury Ministers would be likely to find it easier to agree to the proposals if they could be assured that there would be no net additional cost. As paragraphs 13 and 24 of my note explain, this cannot be guaranteed in advance. Paragraph 14 of my note proposes a way of getting round this difficulty, ie "... to make some assumption, which would inevitably have to be arbitrary initially, about net additional cost and to offset this by a reduction in the provision for MSC expenditure for other purposes. The extent and appropriateness of the adjustment might then be reviewed from year to year in the light of experience".

8. The Secretary of State for Employment is likely, initially at least, to oppose this suggestion in principle on the grounds that it is a difficulty which arises on any shift of funding between local and central government. He will probably however be prepared in practice to accept some adjustment if that is the price of acceptance of his proposals. If so you will probably wish to leave the amount of the adjustment to be settled bilaterally. The Chief Secretary, Treasury is likely to want an adjustment in the first year of around 30 per cent of the amount transferred - ie £60 million on the £200 million option and up to £30 million on the £100 million option.

Responsibility for the Employment Service

9. The position is summarised in paragraph 29(ii) of my note. My own view is that giving the MSC some responsibility for work-related NAFE without legislation would be less likely to attract legal challenge or Parliamentary criticism if it were presented simply as an extension of the MSC's existing training role, with no change in its other responsibilities. I understand that the Secretary of State for Employment has not yet reached a firm view either way.

Arrangements for Involving Education Interests

why? 10. If the MSC takes on a new responsibility for work-related NAFE it could be argued that educational interests should have more opportunity than at present to influence the MSC's activities. Proposals to this end are contained in paragraphs 4 and 18-23 of my note. The main features are:

- Non-stat
- a. those nominating new members of the MSC when the next appointments are due in January 1986 will be asked to reflect the value of educational experience;
 - b. at the national level the Secretary of State for Education and Science might be involved in consideration of the MSC's Corporate Plan and there might be a new non-statutory body to advise the MSC on its expanded NAFE activities;
 - c. at local level, the MSC's existing Area Manpower Boards might have more representatives of local education authority and professional education interests, to supplement close and continuing contact at working level.

LSd's was missed the Training Boards

I understand that the Secretary of State for Education and Science would be generally content with the arrangements suggested, laying particular stress on the point at a.

Arrangements for Scotland and Wales

11. My note points out that further consideration will be needed on whether and how to apply the proposal to Scotland and Wales. The Secretary of State for Scotland argues in his letter of 15 December that the proposal should not apply to Scotland on the grounds that its objectives will already be achieved there by his 16-18 Action Plan announced earlier this year and that the implementation of that plan might be put at risk by a transfer of funding to the MSC. He would be prepared to review the position in two or three years' time in the light of progress with the Action Plan. The Secretary of State for Employment may be able to accept that Scotland should be left out provided he is satisfied that the arrangements there, though different, will be equally effective



and that they would not work against a unified labour market in Great Britain. It would however be made more difficult to justify not applying the English arrangements to Wales. The Secretary of State for Wales may argue that, if the scheme were to go ahead, he would want the Welsh Office to pay grant in aid direct to the MSC rather than through the Department of Employment. You will wish, without going into too much detail, to establish at your meeting whether the scheme will apply in broad substance to Scotland and Wales. The details can then be further pursued by the Ministers directly concerned.

Timing and Presentation

12. The main points arising on timing and presentation are as follows:

- a. that the proposal should be announced in the January White Paper on training;
- b. that it should be presented not as an attack on local authority competence but as a change in the route by which local authorities receive some of their funding;
- c. the need for further consideration of precisely how to handle the local authorities both around the time of the announcement and subsequently;
- d. the need for public guidance to the MSC on the exercise of its new responsibilities.

The Secretary of State for Education and Science is likely to lay particular stress on c. and d.

Further Ministerial Consideration

13. The handling of any further Ministerial consideration will depend on how far agreement is reached at your meeting. If there is a reasonable measure of agreement it may be sufficient for the Secretary of State for Employment to minute you as Chairman of E(A), with copies to other E(A) members, referring to the informal discussions which have taken place and indicating the substance of the proposals which have been agreed. Assuming no dissent from



any member of E(A) not involved in the informal discussions, no formal Ministerial meeting would be needed. The draft White Paper would be circulated in due course for clearance by E(A) members in correspondence. If however there was major disagreement which could only be resolved at a meeting of E(A) or the Cabinet, it will not now be possible to do this, on the basis of properly circulated papers, before the Christmas Recess. The matter would have to be taken at E(A) or at Cabinet as soon as possible after the holiday and this would probably make it difficult to publish the White Paper before the end of January.

HANDLING

14. You will wish to ask the Secretary of State for Employment, supported as necessary by the Chairman of the Manpower Services Commission, to argue the case for the proposals and then invite comments from the Secretary of State for Education and Science. The Ministers who have not previously been involved, ie the Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales and the Environment and the Chief Secretary, Treasury should then be given the opportunity to comment. The Secretary of State for Trade and Industry may wish to re-emphasise his general support for the proposals. The Solicitor General and the Lord Advocate will be available to advise on any legal points, although it seems unlikely that their written opinion on the risk of challenge by local education authorities will be available before the meeting.

CONCLUSIONS

15. You will wish to reach conclusions on the following points:
- i. whether the proposed transfer of responsibility to the MSC for some work-related Non-Advanced Further Education should go ahead;
 - ii. if so, what should be the scale of the transfer;
 - iii. what arrangements, if any, should be made to reduce the risk of net additional public expenditure;
 - iv. whether the MSC should continue to run the employment service;



- v. depending on i., what arrangements should be made to involve education interests in the work of the MSC;
- vi. whether and how the scheme should apply to Scotland and Wales;
- vii. when and how any changes should be announced;
- viii. what arrangements should be made for further consideration by Ministers.

RA

ROBERT ARMSTRONG

16 December 1983

PRIME MINISTER16 December 1983
Policy UnitCHANGING THE MANPOWER SERVICES COMMISSION

Two decisions need to be made:

1. How much NAFE money should be transferred from the Rate Support Grant to the MSC?
2. Should the Government remove the Job Centres from the MSC and put them under the direct control of the Department of Employment?

1. Transfer of NAFE Money

We believe that you should transfer £200 million quickly from the Rate Support Grant to the MSC. The only effective way to improve NAFE is to establish the MSC as a powerful and wealthy customer. The very small transfer of funds favoured by the DES would not achieve the desired result.

There is no real danger that a large transfer would make the LEAs less co-operative. Those LEAs that are running decent NAFE courses will continue to be funded, since the MSC will "buy" the courses. Only the laggards will suffer; and they can hardly be rendered less co-operative than they are already.

A transfer of £200 million is not, in any case, as radical as it sounds:

- The really radical move would be to transfer all the funds for vocational NAFE from the Rate Support Grant to the MSC; £200 million represents a compromise. *Total work related NAFE is £800 million, of which £325 million is financed (nationally) through RSG. Proposal is thus £200 million out of maximum of £325 million.*
- Because of the timing of the Rate Support Grant settlement, the amount transferred from the RSG to the MSC in the first academic year (1985/6) would be only £100 million.
- The MSC have said that they would not leave present NAFE courses high and dry in the first year; instead, they would go on funding even those courses that were unsatisfactory, and would use their new financial power as a Sword of Damocles to bring about improvements.

- Even if £200 million were transferred, this would give the MSC only 3/8 of spending on vocational NAFE, and only 1/4 of total NAFE spending.

2. Transfer of Job Centres to the DEm

This is more difficult.

Peter Morrison believes, probably correctly, that direct control of Job Centres would enable him to reorganise the system, and to save some £25 million p.a. (At present, such reorganisation is impeded by the trade union representatives on the MSC.)

On the other hand, there are a number of arguments against immediate transfer:

- The Law Officers have advised that a transfer would sail close to the legal wind. There is a real danger of challenge in the courts, and some slight uncertainty about the outcome of such a challenge.
- Even without the transfer, David Young intends to save £10 or £15 million a year.
- A decision not to effect the transfer at once would leave open the possibility of action later. It would be easy to prepare a short Bill, which could be introduced in the 1984/5 Session, and which would put us on a firm legal footing. (The Government could explain to the House that the MSC's increased role in NAFE provision made it sensible to remove the burden of running the employment service from their shoulders.)

We conclude that Robert Armstrong's advice should be accepted: you should not, at present, transfer the employment service to the DEm.

3. Subsidiary Issues

- a. Scotland. George Younger objects to all the proposals for changing the MSC in Scotland. He believes that the Scottish Office's 16-18 Action Plan will achieve all necessary changes in Scotland's NAFE, and he sees no reason to give the MSC more powers in the training field, or to remove any of its employment

functions. This is a matter for regret, but it need not put us off making the changes in England.

- b. LEA legal action. Under Section 41 of the 1944 Act, LEAs have the duty to "secure the provision of adequate facilities for NAFE". It is possible that some LEA will claim that it cannot fulfil this duty if funds for NAFE are transferred to the MSC. But we understand that the Lord Advocate has already expressed the opinion (privately) that any such legal challenge would be almost certain to fail. The legal position on NAFE is, in any case, so messy that legislative action may prove necessary in the near future, even if the proposed changes in funding are not made. (Under the 1944 Act, LEAs are meant to obtain the Secretary of State's approval for their "schemes" of further education, and they have not done so since 1947.)

We therefore believe that this is not as much of a problem as the DES claims.

- c. "Consultation" between DES and DEm. You may wish to point out that, under the proposed arrangements for consultation between the two Departments, the DES will have more real influence over the nature of NAFE courses than it at present exercises. (At the moment, HMI are the only agents of DES influence; under the new arrangements, the DES would play at least an advisory role in forming the MSC's structure plan for NAFE.) There is consequently no reason to give way on other educational involvement in the MSC: there is no need, for example, to second LEA officials to MSC manpower boards.

4. Timing

It is extremely important that Ministers should make a decision at this meeting. Miraculously, there have been no leaks so far. But the proposals are now known in several departments, and the risk of a leak is high: the only proper safeguard is to make decisions now, and to publish the news in a January White Paper, as planned. An early announcement is also necessary if we are to make the required changes in the 1984 RSG settlement.



NTC folder 15
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AH

SECRET

The Rt Hon Tom King MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

Prime Minister
Mr Younger supports NTC
in England but wants to go his
own way in Scotland.

AT 16/12

15 December 1983

Dear Secretary of State,

**RESPONSIBILITY FOR WORK-RELATED TRAINING IN THE FURTHER
EDUCATION SECTOR**

We are due to meet on 20 December to discuss the note attached to the Secretary of the Cabinet's minute of 12 December about the proposal that funds should be diverted from local authorities to the Manpower Services Commission, which would become in effect a National Training Commission with new responsibilities for the direct funding of some work-related non-advanced further education (NAFE).

The paper notes that further consideration will be needed on whether and how to apply the proposal to Scotland. I am writing to let you, and the others who will be present at the meeting on 20 December, know my views on this.

I published in January this year "16-18s in Scotland: an Action Plan" containing radical proposals for the reform of NAFE in Scotland which have been welcomed both by industry and education authorities. Further education colleges (and to a lesser extent schools) are due to begin teaching the new courses based on the Action Plan in August 1984, but full implementation will take several years. Implementation is being led by the Scottish Education Department in accordance with the Scottish tradition which enables me to exercise a much more direct influence on the education system than in England and Wales.

I support the broad objectives of the proposed change in England, but I consider that in Scotland these objectives will best be achieved by implementation of the Action Plan in the following ways:

- a. NAFE courses are being broken down into modules, and the modules in which each student has reached the required standard will be recorded on a single vocational certificate. Employers will be able to see clearly from this certificate what a student has done, and will be able to specify particular combinations of modules for particular jobs;

- b. the modules allow latitude for content and teaching methods to be adjusted to suit local circumstances and local employers' requirements;
- c. the modular framework means that courses can be quickly updated; individual modules can be revised in the light of new technical requirements or new modules can be added;
- d. the modular framework means also that individuals can update their skills or retrain at any time by adding new modules to those they have already acquired. Although the term "16-18 modules" has been used, students of any age will be able to take the modules;
- e. availability of modules will not be restricted to local authority colleges. Some may be taught in schools, thereby improving the vocational preparation of young people even before they leave school. Private sector providers of training will also be able to use the modular structure and to present candidates to the awarding body, provided that they can satisfy that body that their standard of training and assessment is acceptable. (The awarding body is likely to be initially the Scottish Technical Education Council (SCOTEC) and the Scottish Business Education Council (SCOTBEC) jointly, and ultimately the proposed combined Scottish Vocational Education Council (SCOTVEC)).

The objective of providing more training for the same amount of money should also be achieved by the implementation of the Action Plan. One of the objects of breaking down existing courses into modules is to enable colleges to increase the size of teaching groups by teaching students aiming at different jobs together at the initial stages (after which students will be able to take further modules until they have achieved the combination necessary for a particular job.) Education authorities in Scotland are currently reviewing their provision for NAFE and secondary education in the light of the Action Plan

Employers will also shortly be consulted about the replacement of present SCOTEC, SCOTBEC and CGLI courses by particular combinations of modules. These consultations plus authorities' reviews of their provision should assist in identifying any gaps in present provision and tailoring provision better to employers' need.

Although the Action Plan is led by SED, the cooperation of education authorities is essential to its success. So far this cooperation has been wholehearted, although my view that the Action Plan can be implemented at no extra cost has been challenged and there are signs of restiveness on the part of teachers and lecturers because of the speed of the implementation programme and the burden of curriculum development and staff preparation being placed on them. I very much fear that their cooperation would be withdrawn, and the Action Plan would fail, if it were to be announced that from 1985 the funds at present available to local authorities for NAFE would be reduced.

I would find it impossible to implement the Action Plan in accordance with my present timetable if at the same time I were having to conduct extremely difficult negotiations with local authorities about the reduction in rate support grant. I am not sure that the MSC would welcome, either, the added complication that if the scheme were to be extended to Scotland there would have to be extensive and detailed discussions about the recognition of our new modular courses for the purposes of the proposed new grant: quite separate guidelines would be needed for Scotland on what would be recognised here as "work-related courses" eligible for MSC support.

My initial conclusion is therefore that the proposal should not apply to Scotland, and that we should explain this in the proposed White Paper on the grounds that the 16-18 Action Plan will achieve in Scotland the objectives of the proposal for England. If necessary we can say that we will review the position with regard to funding in 2 or 3 years' time in the light of progress with the Action Plan.

I am sending copies of this letter to the Prime Minister, Nigel Lawson, Sir Keith Joseph, Nicholas Edwards, Patrick Jenkin, Norman Tebbit, Peter Rees and Sir Robert Armstrong.

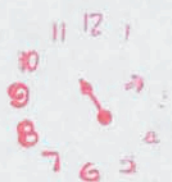
Yours sincerely,

John S. Gorman

(PRIVATE SECRETARY)

APPROVED BY THE SECRETARY OF STATE
AND SIGNED IN HIS ABSENCE

16 DEC 1987



14 December 1983
Policy Unit

PRIME MINISTER

SUBJECT: EDUCATION
Secondary School Policy

cc: ASKULSKI: Loel
Rotschild June '83

MEETING WITH KEITH JOSEPH ON THURSDAY, 15 DECEMBER

EDUCATION: NTC
Oct 82

Keith Joseph will wish to raise several issues, including:

- i. his new policy for schools;
- ii. proposed changes in the role of the MSC;
- iii. agricultural research.

i. Schools

You might begin by congratulating Keith Joseph on his new policies. But there is a real danger that his proposals will be watered down by the DES in the course of putting them into practice. We therefore suggest that you should dwell briefly on the need to avoid backsliding. In particular, we recommend that you should:

- stress the need for graded tests;
- press for firm and fast action to ensure that school governors are given proper financial information, and a proper amount of financial responsibility;
- urge the DES to give governors a veto over all staff appointments;
- emphasise the importance of preventing LEAs from artificially limiting the intake of popular schools.

We attach a short paper explaining these recommendations.

ii. Changing the MSC

Keith Joseph will probably raise, once again, the possibility of bringing the MSC within the ambit of the DES. As well as rejecting the suggestion entirely, we suggest that you should:

- Emphasise the benefits of establishing a customer-contractor relationship between MSC and NAFE. Both employers and trainees in YTS schemes agree that the training offered by NAFE is at present lamentable: the only available way to improve it is to establish the MSC as an effective and demanding customer for NAFE.
- Insist that the point of making the MSC an effective customer would be lost if (as Robert Armstrong suggests) LEA employees were seconded to the MSC to run the NAFE programme. Why let poachers turn gamekeepers?

- Rebut the idea that a large transfer of funds to the MSC would make LEAs less willing to "co-operate" with the Government.

You could make two arguments:

- a. LEAs that are running decent NAFE courses will continue to be funded, since the MSC will "buy" these courses.
- b. LEAs cannot, in the long run, fail to "co-operate" with Government policies: the Government can wield the big stick if it needs to; and you have already shown that you are willing to do whatever is necessary to bring local authorities into line.

iii. Agricultural Research

Keith Joseph is worried about the inefficient way in which MAFF deals with the Agricultural Research Council. In discussing this issue, we recommend that you should:

- State the need for reductions in spending on Agricultural Research. At present, the Government spends £170 million per annum on R&D in agriculture, of which some £45 million goes to the Agricultural Research Council. This represents roughly 2 per cent of the total value of agricultural produce. The corresponding figure for industry is only 0.5 per cent. Why should we spend so much on subsidising over-production?
- Support Keith Joseph's desire to make the Agricultural Research Council more responsive to industry. You may wish to refer to Mr Halstead's excellent letter of 30 November, which points out the dangers of leaving the scientists to decide how to spend the money.
- Support Keith Joseph's desire to keep MAFF at arm's length from the ARC. The Ministry should say what research it wants done, and how much it wants to spend. The rest should be left to the Research Council.
- Agree that the Chairman of the ABRC should investigate the size of headquarters staff in all research councils, but stress that you will want particularly firm action in the case of the Agricultural Council.

B/F



10 DOWNING STREET

~~Caroline~~

Please add ~~Solicitor General~~
and ~~Lord Advocate~~ to
meeting on NTC on
20 Dec.

~~Duty Clerks.~~ Invited 15/12
DMS 15/12

So sorry -
Can you get
please - OK

15/12 -

CR

13

NBPM but to be
acted upon AT 14/12

Ref. A083/3452

PRIME MINISTER

Responsibility for Work-Related Training in the
Further Education Sector

The last sentence of my minute of 12 December (Ref. A083/3417) indicated that I was sending copies of the minute and the note annexed to it to the Solicitor General in view of the two legal issues involved.

2. The Solicitor General's advice in Annex A to the note specifically applies to England and Wales and not to Scotland; and the position on the two legal issues involved (paragraphs 8 and 9 of the note) may not be the same in Scotland under Scottish law as it is in England. I should therefore have sent a copy of my minute and of the note to the Lord Advocate as well as to the Solicitor General.

3. I am now repairing that omission by sending him a copy of the minute and the note. If you are inviting the Solicitor General to attend your meeting on 20 December, you will no doubt want to invite the Lord Advocate also to attend.

4. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Scotland, Wales, Environment, Trade and Industry and Employment, the Chief Secretary, Treasury, the Lord Advocate and the Solicitor General.

RTA

ROBERT ARMSTRONG

14 December 1983



10 DOWNING STREET

Prime Minister

Mr. Tebbit seeks to be excused the E(A) meeting and to send Mr Lamont instead.

The Regional Policy White Paper is being published tomorrow and Mr Tebbit needs tomorrow morning to brief the Press

(He is reading the lesson at the memorial service for Keith Wickenden at 1200pm)

AT

12/12

Handwritten signature

Prime Minister
In the mass of papers Policy Unit suggest
concentrating on three points on E(A)(83)20
Mr King proposes to take both papers
together.

PRIME MINISTER

AT 12/12

12 December 1983
Policy Unit

YTS AND UNEMPLOYED 17-YEAR-OLDS IN 1984/5

The provision for 16-18-year-olds is now incredibly complicated: including YTS, Unemployment Benefit, Supplementary Benefit, Child Benefit and the Young Workers' Scheme. At present rates, Supplementary Benefit can be a more attractive prospect than staying on at a bad comprehensive school, and offers only a little less than the YTS allowance.

We suggest three central points which might come out of your meeting on Tuesday.

1. We do want to work towards a position in which unemployment is not an option for any 16-18-year-old.
2. But we do not want to widen the scope of YTS or introduce still more make-work schemes. MSC should simply be given a flexible commission to squeeze the 90,000 unemployed 17-year-olds into some kind of occupation by 1985.
3. We could then announce that SB would be withdrawn from 16-18-year-olds in 1985.

Guide Post

RP FERDINAND MOUNT

NB

Not all members of E(A) know about the NTC scheme. If, for example, delaying the White Paper is suggested, you should oppose it, but not mention that this is to stop the NTC leaking.

AT

1/15 20/12

12.

Ref. A083/3417

PRIME MINISTER

Responsibility for Work-Related Training
in the Further Education Sector

Following your discussion on 1 November with the Secretaries of State for Education and Science, Trade and Industry and Employment you asked me to prepare a note on how far, within existing legislation, the Manpower Services Commission (MSC) could, in effect, be transformed into a National Training Commission. The essence of the proposal would be to give the MSC responsibility for the direct funding of some work-related Non-Advanced Further Education (NAFE) by the transfer to the MSC of some part of the Government block grant distributed to local authorities through the Rate Support Grant (RSG) mechanism. You had it in mind that this note should be discussed at a meeting of Ministers under your chairmanship, now arranged for 11.15 am on Tuesday 20 December, to be attended by the Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales and the Environment and the Chief Secretary, Treasury as well as those who attended the earlier meeting.

- 2. The attached note has been prepared after consultation with senior officials of the Departments whose Ministers will be attending the meeting on 20 December. It is however a note by me as Secretary of the Cabinet and is without prejudice to the positions of the Departments concerned and their Ministers.
3. In your Private Secretary's minute of 21 November you asked that the paper should cover the extent to which a larger or smaller transfer of resources to the MSC would affect the range of courses to be financed by the MSC and left to be financed by local authorities in the normal way. This is now dealt with in Annex B and more briefly in paragraph 16 of the main paper.



4. I am sending copies of this minute and of the attached note to the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Scotland, Wales, Environment, Trade and Industry, Employment and the Chief Secretary, Treasury. I am also sending copies to the Solicitor General, in view of the two legal issues involved (see paragraphs 8 and 9 of the note) in case you wish to invite him also to attend your meeting.

A handwritten signature in dark ink, consisting of the letters 'R' and 'A' in a stylized, cursive font.

ROBERT ARMSTRONG

12 December 1983

RESPONSIBILITY FOR WORK-RELATED TRAINING IN THE
FURTHER EDUCATION SECTOR

Note by the Secretary of the Cabinet

At a meeting of Ministers under the Prime Minister's chairmanship on 1 November it was concluded that there was a strong case for converting the Manpower Services Commission (MSC) into a National Training Commission with new responsibilities for the direct funding of some work-related Non-Advanced Further Education (NAFE). The aim would be to make this sector of education more responsive to national and local employment needs, and to improve coordination with other sources of training. The use of the MSC - already a modest purchaser of NAFE - as a significant customer for NAFE courses in both Further Education (FE) colleges and the private sector would provide a new financial discipline for FE colleges who were the major providers of NAFE and give closer links to industry. The essential feature of the scheme would be a reduction in net local authority expenditure and the transfer to the MSC of some part of the Government block grant distributed through the Rate Support Grant (RSG) mechanism. Ministers intended that the scheme should not, so far as possible, add to public expenditure.

2. This paper considers how far the proposal can be developed within existing legislation, how large the transfer of finance might be in such circumstances and the other arrangements that would be necessary. It looks particularly at the likely impact of the scheme on local authorities. This is a key question because any proposal further to reduce local authorities' discretion over spending could add to the Government's problems in securing acceptance for its other policies towards local government. The paper is written in terms of England and of the responsibilities of the Secretaries of State for Education and Science and for Employment. If the scheme were to apply to Scotland and Wales, appropriate arrangements would need to be made to cover the interests of the territorial Secretaries of State.

SCOPE WITHIN EXISTING LEGISLATION

3. It would not be possible to change the title of the MSC without legislation. But the Commission already has the necessary power to fund work-related education under its general duty "to make such arrangements as it considers appropriate for the purpose of assisting persons to select, train for, and retain employment" (Section 2 of the Employment and Training Act 1973), and it already spends around £90 million a year in the NAFE sector.

4. The MSC's statutory ten members include only one formally appointed to represent education interests and there is no way of adding to the Commission's membership without legislation. But the Secretary of State for Employment appoints members, and he could make it clear in future to the local authority associations (and perhaps to the Confederation of British Industry and the Trades Union Congress as well) that he would want them to reflect the value of educational experience in nominating people for membership. No new appointments are due until 1 January 1986, but the existing local authority representatives are past or present Chairmen of the Education Committees of their Associations.

5. There is scope under existing legislation to set up new advisory machinery at national and local level to help both Ministers and the MSC in the discharge of their responsibilities. Changes could also be made, without legislation, in the numbers and composition of the MSC's existing 54 Area Manpower Boards whose remit covers employment as well as training aspects of the MSC's work.

6. As far as finance is concerned, there is no legal bar to reducing the Exchequer contribution towards the cost of NAFE through RSG and giving the equivalent amount to the MSC to spend on NAFE courses. What would happen in practice would be that the money spent by the MSC in FE colleges would reduce the net cost of NAFE to Local Education Authorities (LEAs) and thus reduce their relevant expenditure for RSG purposes. Reductions would be made in Aggregate Exchequer Grant (AEG), and in the block grant which forms part of it, of an amount equivalent to the reduction in relevant expenditure (although it would be possible, as an alternative, simply to reduce grant pro rata and so maintain the overall grant percentage). The change would be made in the 1985-86 annual RSG settlement and the public expenditure consequences would be shown in the subsequent Public Expenditure White Paper.

7. There would however be a widely differing impact on individual authorities. A general reduction in block grant would necessarily fall on all local authorities in receipt of grant and not just on those with education responsibilities. Amongst LEAs, some would do much better than others because of the differing amounts of block grant they receive (which depends on rate resources as well as on spending needs). The Inner London Education Authority (ILEA) which accounts for just under 11 per cent of NAFE expenditure in England would benefit particularly. It gets no block grant because of its high rate resources and high spending in relation to need. To the extent that it managed to sell courses to the MSC, ILEA would receive a windfall gain which it would be free to use as it chose.

8. None of these effects would in themselves provide a basis for legal challenge. But there is just a possibility of legal challenge to the Secretary of State for Education and Science on the grounds that loss of grant under this proposal, combined with Government

measures to contain local authority expenditure, could make some individual local authority unable to fulfil its statutory duties under the 1944 Education Act and so call in question the Secretary of State's duty to ensure that it so fulfils them. The Law Officers' opinion is being sought on this point.

9. If Ministers wanted to allow the MSC to concentrate its efforts on training and on work-related NAFE, the Secretary of State for Employment could take back the employment service, relying on his reserve powers in the Employment and Training Act. A copy of the Law Officers' advice is at Annex A. This agrees that the powers may be used in this way, but notes that this would go to the limit of what can be legally justified. In my judgement, whatever the strict legal position, it will be politically more difficult to proceed without legislation if Ministers significantly alter the role of MSC by taking away a major existing function at the same time as adding a new one. I would not therefore recommend the removal of the employment service work at this stage. If however Ministers wanted simply to emphasise the MSC's new responsibilities it would be possible, if it were felt this would be helpful presentationally, to group the training side of the Commission's work under a new non-statutory title such as "National Training Agency".

10. The MSC could thus become a National Training Commission in all but formal title without any new legislation. But there may be some risk of legal challenge and of Parliamentary and local authority objection, and even resistance. In practice that risk obviously grows in proportion to the opposition (both initial and continuing) which the proposals attract. Both this, and indeed the amount of support for them, depend on the scale of reduction in RSG, the impact of the new scheme and on the arrangements made to make the proposals work.

FINANCE

11. Relevant expenditure on all local authority services in England in 1983-84 is about £22 billion, of which about half is funded by central Government principally through block grant. Total expenditure on the NAFE sector is about £1.2 billion of which some £800 million is devoted to provision that is in some sense work-related. Of that about £325 million may be said to be met through block grant, although none of the grant is actually hypothecated to particular services or activities. Another £325 million is funded from the rates. The MSC itself already provides about £90 million as a customer for courses; and the balance comes from fees from individuals, employers, industrial training boards etc.

12. A reduction in relevant expenditure and an equivalent increase in MSC funds would enable employers, industry and Government through the MSC directly to influence NAFE provision and to buy in NAFE courses in the private as well as public sectors. But, by the

£370. £560. 105,000.

same token, it would make it more difficult for local authorities to manage their resources coherently, because a much larger proportion would be dependent on the decisions of an external purchaser. If for example £200 million were switched to the MSC, some 30 per cent of the NAFE budget would be dependent on external purchasers compared with the present 12½ per cent or so, represented by current MSC and fee funding. These are of course only averages. In practice there would be wide variations from college to college and from area to area depending on the type of NAFE provision the MSC wanted in particular areas, their assessment of colleges' ability to make this provision to the standards they require, the existing capacity of FE colleges, and the availability of other capacity in the private sector.

13. The likely net effect on public expenditure of the switch is difficult to predict. Neither the proposed reduction in RSG nor the new rate-capping mechanism, which is in any case intended to be selective, can be relied on to ensure that the overall reduction in net local authority expenditure will match the increase in MSC's expenditure. Although Ministerial statements and White Papers indicate the Government's intentions and expectations, it has no power to force local authorities to spend (or to stop spending) any particular sum on NAFE or to control the type of courses on which it may be spent. Some net additional cost might result for example from the differing impact on individual local authorities as explained in paragraph 7 above. Where an authority is a net gainer, it may choose to expand its education and training activities rather than pass on the benefit to the ratepayers. Where an authority is a net loser, it may seek to maintain its NAFE or other expenditure by increasing the rates. There may also be some transitional costs, for example in salaries and redundancy payments during the period when local authority colleges were adapting to the MSC's requirements. It is not possible to estimate any net additional cost since this will depend in part on the pace of change and the ease with which the local authority colleges adapt to the MSC's requirements. The outcome is unlikely to be known until some months after the end of the financial year and may vary from year to year. It seems likely however that for any given level of transfer of finance from RSG to the MSC any net cost would not be more than a fraction of that figure.

14. The Treasury consider that any new method of financing training must be so arranged that it does not add to public expenditure as a whole. For the reasons mentioned in the preceding paragraph it is in practice not possible to make the transfer from financing through local authorities to financing through MSC in a way which can guarantee this result in advance. The best solution may therefore be to make some assumption, which would inevitably have to be arbitrary initially, about net additional cost and to offset this by a reduction in the provision for MSC expenditure for other purposes. The extent and appropriateness of the adjustment might then be reviewed from year to year in the light of experience.

THE OPTIONS

15. There seem to be two options for the transfer of funding. One is the transfer of a major part of the RSG provision, perhaps £200 million a year; the other the transfer of a smaller amount of perhaps £100 million a year. In either case the earliest the transfer could take place would be 1 April 1985 (the 1984-85 RSG settlement already having been announced), and it would be possible to phase the RSG reduction and consequential increase in the MSC's grant over a period of years. The Department of Employment and the MSC favour a transfer of £200 million a year from the start (or at least reached very quickly). The Department of Education and Science think that the better option is £100 million, built up gradually from a base of around £30 million over 3-4 years.

16. The note at Annex B describes the way in which the two sums of money might be used and the effect each might have on the courses provided. Under both options FE colleges would remain responsible for a substantial part of work-related NAFE expenditure as well as for the £400 million currently spent on non-vocational FE. They could however in time lose some business to the private sector, and some of the money now spent on providing courses for 16-19 year olds (demand from whom may in any event be reduced by demographic changes) would go on courses designed to provide post-experience training for all ages and on spending designed to influence the quality, relevance and cost-effectiveness of courses less directly, eg in staff training, course development, provision of better information networks etc. The main arguments that need to be considered in deciding between the two options seem to be:

i. The impact on the FE system

The Department of Employment and MSC believe that MSC needs at least an extra £200 million a year if the change is to have the maximum initial impact and to provide enough leverage to bring about the changes they want. They believe that MSC must be able to buy a significant number and range of courses in a majority of colleges as an actual customer and on locally assessed judgement of need. If they were given the smaller amount they say they would need to adopt a different approach, using more money on central spending (on teacher training etc) and a lower amount on direct funding of courses. This would reduce the amount of money available for course provision overall. The Department of Education and Science disagree. They agree that some additional central spending might be useful, but they think the greater part of the figure could be spent on selective course provision in a way which would not be disruptive and which would make a significant impact on courses where present FE provision was considered less responsive to need.

ii. The impact on local authority expenditure

Under either option a change in emphasis from courses for 16-19 year olds and the diversion of some resources now spent on direct funding of courses in FE colleges may lead LEAs to consider spending more on NAFE provision to make up for the loss. But the larger transfer option probably carries a higher risk of pushing up expenditure than the smaller figure. The significant change in funding arrangements represented by the larger option could also lead local authorities to raid other parts of their budget, especially their schools budgets, to make good the deficits. This possibility - which must always arise on any attempt to modify the boundaries between central and local government responsibilities - could have undesirable implications for other Government policies.

17. Neither option would escape opposition from local authorities, because both involve the transfer to control by a quango of substantial sums previously controlled by local elected bodies. Both options therefore run the risk - which must be weighed against the advantages of change - of worsening the Government's general relations with local government and adding to its problems in securing acceptance for the severe rate support grant settlement for 1984-85, the legislation to limit rates and the proposal to abolish the Greater London Council (GLC) and the metropolitan county councils. In the Department of Education and Science's view it could also put at risk policy initiatives on the wider education front, particularly in the schools, which depend on the cooperation of LEAs. In both cases not only the actual working arrangements devised for the MSC in its new role and for the transfer of funding, but also the way in which the decisions are presented, will be critical.

WORKING ARRANGEMENTS: INVOLVEMENT OF EDUCATION INTERESTS

18. A key factor will be the way in which the MSC is able and is seen to be able, particularly in the early years of adaptation to the new system, to respond sensitively to the problems of the LEAs as managers and providers of the major part of work-related education. This means that arrangements will be needed to involve both the Secretary of State for Education and Science and the LEAs in the decisions taken by the MSC and by the Secretary of State for Employment as the sponsoring Minister. The part played by the Secretary of State for Education and Science, in particular the extent to which he is seen to influence decisions and represent education interests at national level, may be looked at particularly critically.

19. The Secretary of State for Education and Science will continue to have overall statutory responsibility for the FE sector. Thus his relations with the LEAs will bear upon all courses run by FE colleges whether or not for the MSC. So will those of Her

Majesty's Inspectorate whose basic role will be unaltered. The MSC will continue to report to the Secretary of State for Employment on their NAFE as all other activities but the Secretary of State for Education and Science would be closely involved in the development of and decisions on the MSC's plans for expenditure in the NAFE sector and their implementation. It would be agreed that he would be consulted about any significant departure from plans during the year.

20. The detailed arrangements for involving the DES and LEAs would need further work by the two Departments in consultation with the MSC, but it would be important not to tip the balance too far against the key employer interests. The broad outline might be as follows.

No 21. At national level, the Secretary of State for Education and Science and his officials would be involved each year, as the Secretaries of State for Scotland and for Wales are now, and as the Secretary of State for Trade and Industry might be in future, in the consideration of the MSC's Corporate Plan, including the detailed work lying behind it. In practice this would involve consultation at the formative stage as well as at the stage of the formal submission of the Plan. There might also be, on the model of the existing Youth Training Board, a new non-statutory body to advise the MSC on its expanded NAFE activities. The board could be chaired by the Chairman of the MSC and its membership would include representatives of customers and suppliers of NAFE as well as Department of Education and Science, Department of Trade and Industry and Department of Employment assessors.

22. At local level there would need to be close and continuing contact and consultation between MSC officials and LEAs. This would be the main mechanism for the planning of courses in FE colleges and assessment of MSC requirements within national plans. It might be useful for this purpose to strengthen the MSC's area offices by the employment of staff on secondment from the education service.

23. These day-to-day working arrangements would need to be supported by new formal planning and consultation arrangements at local level. These might be based on the MSC's existing Area Manpower Boards whose membership, number and geographical coverage would need to be reviewed. The boards could be strengthened to give improved representation for LEA and professional education interests. They would be able to consider detailed plans for local NAFE provision in accordance with the guidelines set out in the MSC's Corporate Plan, and they would provide the main feedback to the centre on local implications of MSC plans and priorities for work-related education. An effective dialogue with MSC staff would be essential.

24. These arrangements could require some additional manpower in the MSC. The Department of Employment suggest that their preferred option of a transfer of around £200 million would need at a rough

estimate some 150 extra staff. It would be for consideration whether this extra manpower would be found by reductions elsewhere in the Department of Employment Group or whether there would have to be an addition to Department of Employment Group manpower totals.

TIMING OF ANNOUNCEMENT AND PRESENTATION

25. Timing is critical. If the additional funds are to be given to the MSC in time to have a significant impact on FE course provision for the academic year beginning September 1985, detailed discussions with LEAs need to start early in 1984. The Government must in any event be ready to discuss the implications of the change in funding arrangements by May next year when negotiations begin on the 1985-86 RSG settlement. This means that an announcement would need to be made as early as possible next year. A White Paper could be produced in January which could bring together a number of announcements on other fronts, for example the future of the Youth Training Scheme and of adult training.

26. Local authorities' reactions to any transfer of resources are likely to be adverse and will no doubt be considerably affected by the amount of resources transferred. The main requirement will therefore be to present the proposal not as an attack on local authority competence but as a move to link work-related education programmes, which would still largely be provided by local authorities, even more closely to the needs of local industry and employers. The effect on individual authorities would vary, but in the aggregate local authorities would not for the most part be losing resources: they would simply be getting them by another route. These points would need to be brought out when setting the new scheme in the context of the wider presentation of the MSC's training work in the White Paper.

27. The question of precisely how best to handle the local authorities both around the time of the announcement and subsequently will need careful attention, particularly since they will have had no advance warning of the Government's intentions.

28. In addition, since this would be a major new responsibility for the MSC itself, the Government would need to give, and be seen to give, clear guidance on what it expected the MSC to deliver. Some of this guidance might be contained in the White Paper but there might also be a meeting between Ministers and the Commission and a formal letter to the Commission which Ministers might wish to make public.

DECISIONS REQUIRED

29. If Ministers wish to proceed with a scheme for transferring NAFE finance from RSG to the MSC which does not need legislation, they will need to decide now:

- i. The amount of finance to be given to the MSC
(paragraphs 11-17)

The choice is somewhere between a figure of around £100 million a year built up over time, which the DES regard as the highest appropriate figure and the most the local authorities might be induced to tolerate, and a figure of around £200 million a year built up rather more quickly, which is what the Department of Employment think is needed to be effective. The judgement is for Ministers and depends essentially, subject to advice from the Law Officers on the risk of legal challenge to a substantial transfer, on an assessment of the reaction of local authorities to the size of the transfer, the leverage which a given size of transfer will provide to achieve the central aims of change, the ability of the MSC to distribute the money successfully, and the net effect on public expenditure and manpower. It may be desirable to make some adjustment in MSC expenditure, in relation to the figure chosen, to offset the risk of any net additional public expenditure arising from the transfer.

- ii. Whether the MSC should concentrate all its energies on training and work-related education, or should also continue to run the employment service
(paragraph 9)

There are conflicting considerations here. One is the ability of the MSC to cope with a complex of tasks. On this basis the larger the transfer of responsibility for funding NAFE, the stronger the case for returning employment-related work to the Department of Employment. On the other hand, the return of the employment work would itself be controversial with the trade unions and employers. It would also be disruptive. Perhaps the decisive argument in favour of leaving the employment service with the MSC is that the addition of work-related training in NAFE to the responsibilities of the MSC without legislation would be less likely to attract legal challenge or Parliamentary criticism if it were presented simply as an extension of the MSC's existing role in the training area, with no change in its other responsibilities.

- iii. The general arrangements for involving education interests
(paragraph 4 and paragraphs 18-23)

These include the changes which might be made to the composition of the Commission's own membership after January 1986 when vacancies arise, and the detailed arrangements for consultation at both national and local level.

iv. The nature and timing of any announcement
(paragraphs 25-28)

The suggestion is an announcement in January by means of a White Paper about the MSC's general training and work-related educational role. This would present the proposed change in funding arrangements as having a major beneficial effect on the content and direction of work-related education but relatively little effect on where it comes from in the LEAs.

30. Ministers will also note that further consideration will be needed on whether and how to apply the proposal to Scotland and Wales. Careful consideration also needs to be given to the handling of the local authorities both around the time of the announcement and afterwards.

9 December 1983

Opinion of the Solicitor General

I am asked to advise the Department of Employment as to whether or not certain functions presently laid to the Manpower Services Commission can lawfully be transferred to the Secretary of State under the power contained in Section 3(4) of the Employment and Training Act 1973 without the need for further legislation.

2. I am of the opinion that they can.

3. The functions concerned fall into two groups:

(a) Certain of the functions that may be exercised by the Commission under Section 2(1) of the 1973 Act "for the purpose of assisting persons to select, train for, obtain and retain employment suitable for their ages and capacities and to obtain suitable employees ..."

(b) Certain functions exercised by the Commission under Section 2(2)(a) of the Act as agent for the Minister.

4. So far as the functions exercised under Section 2(1) are concerned, Section 3(4) of the Act provides that if the Secretary of State considers that any action for the purposes of Section 2(1) should be taken in pursuance of the Act otherwise than by the Commission, or otherwise than by the Commission alone, he may after consulting the Commission about the matter make arrangements for the action to be taken by himself.

5. Although this discretionary power is fairly widely drawn it is subject to review by the Courts at the instance of a person having a sufficient interest and must be exercised in accordance with the express words of the Statute. This means no more than that the procedural requirements laid down by the Act must be strictly adhered to, and I assume that there will be no difficulty in complying with these conditions. But quite apart from the question of procedure a Court will be concerned with the manner in which the discretion is exercised. In this context I consider that the Court would enquire as to whether or not the Secretary of State had kept

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within the bounds of the Act and had acted reasonably, for a proper purpose and in good faith. Strictly speaking, each of these considerations forms a separate ground for legal challenge, but in this particular case I think that they all come down to the same question - is the proposed exercise of the power a proper use of the discretion conferred upon the Secretary of State by Section 3(4) of the Act?

6. I would agree with the assessment made by those instructing me that the manner in which the discretion is to be used "goes to the very limit of, but not beyond, what can be legally justified". I think it particularly important that the MSC is not to be deprived entirely of its functions in relation to at least some of the purposes contemplated by Section 2(1) of the Act. It is also significant that the proposals do not affect the rights of individuals. In order to minimise the risk of legal challenge it is important to be able to show that the power is not in reality being used to repeal the whole of Section 2(1) so far as the Commission is concerned. In the light of what I am told I think this condition is satisfied, and accordingly I consider that a Court would be unlikely to interfere with the exercise of the discretion in the manner proposed.

7. I have also considered the proposal from the point of view of legal policy. The power under Section 3(4) appears, from the background material with which I have been supplied, to have been designed as one for use in last resort, where for example the Commission had failed to provide an adequate service, or had failed to obey directions to improve it. I note that Section 3(2) confers power on the Secretary of State to give directions to the Commission modifying its functions, including depriving it of some of its functions, and that there is nothing on the face of the Act constituting a legal impediment to a substantial transfer of functions by use of the Section 3(4) power. Nevertheless, the proposed use of the power in preference to separate legislation will attract sensible criticism: it falls short of what is ideally desirable as legal policy, particularly in respect of the

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consequential transfers of property, rights and liabilities. However, in my opinion the margin by which it falls short of what is ideally desirable as legal policy is not so wide as to render the proposed use of the power improper.

8. So far as the second group of functions [ie those exercised by the Commission under Section 2(2)(a) of the Act] is concerned, I see no particular difficulty in effecting the necessary transfer although it will be necessary, of course, to examine the exact terms of the agreements made between the Commission and the Secretary of State under that Section.

9. I do not think that the Ministers of the Crown Act 1975 applies to the transfer of functions between the Commissioners and the Secretary of State. It is intended to deal with transfers between one Ministry and another.

10. This advice applies to England and Wales and not to Scotland.

Law Officers' Department

28 October 1983

SECRET

EFFECT ON NAFE PROVISION OF THE TWO OPTIONS

1. In simple arithmetic the £200m transfer favoured by the Department of Employment represents 16% of total NAFE spending and 25% of the cost of work-related NAFE (or 30% of the cost net of fees). A £100m transfer represents 8%, 12½% and 15% respectively. Neither option would directly touch non-vocational courses (O and A Levels etc) on which £400m is currently spent in FE colleges. But the effect on the courses provided in the NAFE sector could be much greater than the arithmetic suggests because of the way in which the MSC would use the transferred resources. It could also be significantly different under the two options.

OPTION 1 - TRANSFER OF £200m

2. A transfer of £200m would enable the MSC to buy a large range of work-related training courses. It would also enable it to spend money centrally on the extension and development of college staff training and on the development of new courses and new methods of teaching which would influence all work-related education in the NAFE sector. The precise number of places provided would depend on the type of course and the extent to which the MSC attracted additional funding from employers and others. But one of the MSC's objectives would be to make more cost-effective use of college resources, and so, they believe, train more people for the same money.

3. In buying NAFE courses the MSC would be aiming to
- bring the occupational mix of courses more closely in line with national and local labour market demand;
 - shift the balance away from more traditional to newly emerging skills and towards the acquisition of new technical skills for occupations like distribution and secretarial work;
 - make courses more relevant to work needs by increasing industry's input, keeping courses up to date and reducing course length to the minimum needed to give broad based occupational skills and the specific skills needed for particular jobs;
 - ensure that entry to courses was not unnecessarily restricted and that arrangements to give individuals access to courses were as flexible as possible, e.g. not tied to the academic year;
 - improve the quality and cost-effectiveness of provision in colleges by requiring them to compete with private sector providers of training where available.

In so far as these developments are already in hand in FE colleges, DE/MSD believe that a transfer of funding would accelerate them.

4. FE colleges which accepted the MSC's requirements (which would themselves be progressively developed so as not to demand an unrealistic pace of change) would continue to provide MSC funded courses, as they do now under the TOPS system. In many cases colleges would need simply to modify existing provision. Requirements would be planned at local level with educational and employer interests, the planning of the MSC's TOPS and YTS provision being integrated in the process. Colleges would continue to provide non-vocational courses and would also still provide work-related courses in areas not chosen by MSC as priorities for funding.

5. But there would be two potentially significant changes. First, although the MSC would need at least in the early years to give FE colleges some guarantee of a minimum level of MSC business, they would want to be free to buy from the private sector if FE colleges were unable or unwilling to adapt to providing the kind of courses they needed. Second, although most of the MSC funded courses would initially fit with the traditional NAFE role of helping school leavers move from full time education to work, there would be a progressive change of emphasis to courses open to people of all ages. Although many 16-19 year olds could be expected to benefit from such courses, there could be some unsatisfied demand if the change of emphasis from initial to post-experience training were carried out quickly and if the decline in student numbers did not offset the change. In that case LEAs, who have a statutory duty to provide for 16-19 year olds, would have to consider either financing initial vocational courses themselves to meet the demand or - and this is more likely - providing alternative non-vocational courses in schools and colleges. This could mean higher public expenditure and fewer young people having a vocational education or both. It is difficult to assess the risk with any certainty. DE believe that the risk is fairly small. DES believe that there could be real pressures on local authority spending as a result.

OPTION 2 - TRANSFER OF £100m

6. A transfer of only £100m a year could be spread round the country and used in much the same way as the larger transfer. In that case the number of places purchased by the MSC would simply be less. But in practice DE/MSc believe that the smaller option would require a different strategy. To achieve maximum impact the MSC might run a central operation and concentrate funding on particular types of courses (e.g. the updating of technical skills) or on particular areas of the country. The MSC would avoid areas of activity where FE colleges were already reasonably responsive to industrial needs. DES believe that this would be the right approach because it would still allow a significant amount of the funds transferred to be used for course provision. But DE/MSc believe that £100m worth of courses, however targeted, would have much less of an impact on the NAFE sector and offer little scope for exposing it to competition. Under this option therefore they would combine more selective spending on courses with more expenditure outside FE colleges

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designed to influence courses centrally. If for example funds were built up gradually from a base of around £30m over a period of 3-4 years, the initial sum might be spent on training and updating of college staff in new training methods and skills, in developing new courses and teaching materials and demonstrating new learning methods, and in providing better information networks for employers, LEAs and individuals about the type of skills likely to be needed in the future and the kind of courses available.

7. Under this option therefore, a larger share of the resources transferred might go towards influencing work-related NAFE by central spending rather than by commissioning individual courses on the basis of local judgement of need. To the extent that this central spending did not simply replace spending on teacher training and so on by LEAs, less money overall would be available for course provision. In addition a marked switch of emphasis towards post-experience training in those courses which were funded by MSC, would mean as with option 1, a reduction in the amount of finance available for initial education in FE colleges unless local authorities themselves increased the funds for this purpose.

THE BALANCE OF ADVANTAGE

8. Under both options, FE colleges would continue to provide non-vocational courses. Under the first option some 75% of work-related NAFE would continue to be funded in the normal way, and under the second option nearly all of it would be so funded. But in both cases some of the resources transferred would be lost to initial training for 16-19 year olds and taken up by post experience training, and particularly under MSC's likely strategy for thesecond option, some resources currently directly devoted to course provision would be used for other purposes.

9. The Department of Employment believe that the MSC will not be able to make a significant impact on the type, quality and cost effectiveness of NAFE provision unless they can buy a significant number of courses to their specifications as a direct customer and on a locally assessed judgement of need. They also believe that, if MSC are to give local education authorities reasonable certainty for planning and budgeting purposes about the number and type of courses required, they need to have sufficient resources to fund a large core of courses covering all LEAs and most colleges rather than selected ones. They think option 1 would therefore not only have a much greater impact on NAFE - but actually a less disruptive effect on local authority planning as well as allowing planning for all MSC provision and work related NAFE to be integrated at local level.

10. The Department of Education and Science do not accept that a smaller switch would necessarily mean little direct

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funding of courses. They believe that MSC should simply purchase courses more selectively under this option. This could be co-ordinated at national and local level, building on the existing machinery for consultation and planning between education and employer interests, in a way which would have the necessary impact without causing serious disruption. They believe that any attempt to make an impact from transfer of funds to MSC on this important area, where the problems are at least as much those of employer demand as of college supply, should be handled progressively and fully monitored. In contrast a massive change of direction could, they believe, adversely affect areas of NAFE which are widely believed to function well, and it could create pressures for extra public expenditure.

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10 DOWNING STREET

Prime Minister

Mr King would like to
bring Mr Mansson to E(A)
on Tuesday.

Agree?

Mr Younger would like
Mr Stewart to deputise
as he is hosting a
function in Scotland for
the Deputy Prime Minister
of Canada

Agree?

AT 9/12

PRIME MINISTER

E(A) PAPERS FOR 13 DECEMBER

TRAINING FOR JOBS E(A)(83)19

Tom King's paper deals with both adult and youth training and includes some of the proposals put forward by David Young at the September seminar.

A Market Approach to Training

The general approach is to separate youth or "foundation" training - which the state will usually have to pay for - from adult or occupation-specific training, which employers ought to pay for themselves. In general, we ought always to try to maximise private funding and to encourage individuals to contribute to improving their own capabilities, either by loans or by minimising the cost by accepting a low trainee wage or allowance. Employers are more likely to know what they need.

Foundation Training

Three channels are proposed:

- a. the 14-18 year old vocational training opened up through TVEI - you might like to ask for a detailed report on the progress of this initiative;
- b. a more work-related NAFE - this will of course be dealt with at the National Training Commission meeting on the 20th;
- c. a more job-orientated YTS.

The real questions here are:

(i) Should YTS cover employed young people as well as the unemployed?

(ii) Should it be extended to over-18s? And

(iii) Should it be extended from a one-year to a two-year course?

Tom says yes to (i) and (ii) and no to (iii). We say no to (i), (ii) and (iii).

If YTS is to cover employed young people, we are really talking about the government paying for day release to NAFE courses. Since the quality of many NAFE courses is so poor, it is dubious at the moment whether we would really be helping a young employee by paying for him to take a day or two off work each week to attend a dud course.

To extend YTS beyond the age of 18 would be to encourage the make-work empire to sprawl further into the real labour market. There is considerable logic in keeping it within the confines of the upper and lower school-leaving ages.

To extend YTS from one year to two would be to encourage the belief that proper training requires long courses, when in general our aim is to shorten periods of training and make them more effective. The dangers of YTS getting a bad name for time-wasting and for being a confidence trick played on young people (as YOP did) would be much increased by stretching it out.

We do, however, agree with Tom that it is vital to commit ourselves now to keeping the cost of YTS constant in real terms throughout the rest of the decade at its 1984-5 level.

Occupational Training

David Young is pressing for the removal by 1985 of restrictions on the age of entry to apprenticeships and for the replacement of the time-serving by agreed standards. This target date should be given the strongest possible backing.

For adults Tom proposes:

- a campaign to make employers believe in training (£10m in 1985-6);
- modest subsidies to employers for training (£200m);
- training for the unemployed through TOPS, the Voluntary Projects Programme and (subject to review) Community Programme (£60m).

This would raise the total of adults being trained from 110,000 (80,000 of them unemployed) to 250,000+ (including 125,000 unemployed).

Who Should Pay?

This is a reasonable if unspectacular programme. The real novelty is David Young's Pilot Scheme for government-backed loans for adult training.

In principle, such a loan-scheme would be splendid. In contrast to earlier proposals for student loans, we would be providing a new benefit, rather than removing a present grant. And by this means, we would be introducing the public gently to the idea of borrowing instead of receiving.

But if it goes wrong, it will decisively set back progress towards popular acceptance of the principle of loans. Might it be worth setting up a group to oversee the preparation of the pilot project, including a representative from the Policy Unit?

YTS AND UNEMPLOYED 17 YEAR-OLDS IN 1984/5 E(MX83)20

In his second paper, Tom points out that our 1981 White Paper endorsed the objective of moving "towards a position where all young people under the age of 18 have the opportunity either of continuing in full-time education or of entering a period of planned work experience combined with work-related training and education".

This does sound like a commitment to "unemployment should not be an option for anyone under 18". And it would be a very attractive commitment if we could fulfil it.

Tom's plans at present would leave about 100,000 unemployed 17 year-olds who had been on YTS (or in employment) and who were ineligible for further training. 10,000 of these would be found work on the Young Workers Scheme. The remaining 90,000 would be left on the unemployment register.

Is this really the best we can do? Tom King thinks it is. He admits that it would be attractive to offer a guaranteed occupation for all 16-18 year-olds. But he thinks that such a guarantee could be achieved only by concocting an extremely unattractive mixture of three measures:

- allowing trainees to remain on YTS for 2 years (which would make people think of the Scheme as a special employment measure);

- extending the Community Programme to 17 year-olds (which would be very expensive, and would encourage high youth wages);
- introducing a new Community Service Scheme (which would be a blatant cheap labour make-work projects).

Instead, Tom King will argue that we should concentrate on giving all young workers, including employed 17 year-olds, a year of suitable training. But this argument depends upon the assumption that the off-the-job training provided by YTS through NAFE is worthwhile (since the employed 17 year-olds are already getting on-the-job training without YTS). If, as we argue, many of the NAFE courses are virtually useless, why spend a lot of money enabling 17 year-olds to waste their time? Far better to spend it on providing a guarantee of occupation for all under-18s.

We believe that this money would be better spent on an imaginative effort by the MSC to search for ad hoc ways of squeezing the 90,000 17 year-olds in somewhere: by leaning on friendly employers, by helping the 90,000 to jump the jobs queue by giving them a modest "training voucher" to help the employer cover any expenses incurred in providing on-the-job training, by filling spare places on the Community Programme, and if all else fails, letting them take a YTS place in a quite different trade or occupation from that in which they spent the first year.

The MSC under David Young still has the ingenuity and flexibility to undertake this sort of task. We could simply announce that the MSC would work towards a target of a place somewhere for every 17 year-old by, say, 1985.

This solution is by no means perfect. But it would enable us to offer the politically popular guarantee to all those under 18; it would thereby enable us to act radically on supplementary benefit for the under-18s;

/it might find

it might find real jobs for a number of ex-YTS 17 year-olds; it would not encourage high youth wages; and it would give a second chance to those youngsters who happened to be bad at the particular task which they had been set in their first year on YTS.

SUMMARY

We suggest:

- That Tom King's proposals on occupational and adult training should be accepted; but that a group, with a Policy Unit representative, should be set up to keep an eye on loans for adult training.

- That we should try, quickly, to develop a suitable method of giving 16-18 year-olds a guaranteed occupation.

- That we should spend money on extending YTS to employed 17 year-olds only when NAFE courses have improved.

FERDINAND MOUNT *fm*



P.01175

PRIME MINISTERTraining for Jobs

(E(A)(83)19)

BACKGROUND

E(A)(83)19 contains proposals by the Secretary of State for Employment for the further development of the Government's policies on training following the White Paper published in 1981, 'A New Training Initiative: A Programme for Action' (Cmnd 8455). He proposes a further White Paper in January 1984 embodying the policies in his memorandum. There are two main strands in his proposals:

- i. the development of the Youth Training Scheme (YTS) by the end of the decade along more comprehensive lines; and
- ii. further action, mainly through the Manpower Services Commission (MSC), for further improvements in adult skill training.

The Secretary of State suggests as a policy framework a 'market' approach aimed wherever possible at removing obstacles to the operation of a market in training; and thus maximising market incentives for investment in training both by employers and individuals.

2. The Secretary of State's proposals in E(A)(83)20 on YTS and unemployed 17 year olds in 1984/85 are intended to be seen in the context of these longer-term proposals. A separate brief on E(A)(83)20 is attached.

3. The main features of the YTS, Young Workers Scheme (YWS) and the Community Programme (CP) are summarised in the annex to these linked briefs.



MAIN ISSUES

4. The main issues are:

- i. Generally, is the Sub-Committee content with the proposals of the Secretary of State for Employment as a framework for Government policy on training to the end of the decade?
- ii. Specifically, as regards the YTS, is the Sub-Committee content with the Secretary of State's proposals as they affect
 - a. the content, coverage and duration of training under the scheme in relation to training provided from other sources? and
 - b. Public expenditure?
- iii. As regards adult training, should the Government support
 - a. the major campaign proposed by MSC to raise awareness of the importance of training as an investment; and
 - b. the restructuring of MSC provision?
- iv. Is the suggested distribution of the costs of training between Government, employers and trainees satisfactory?
- v. Should a White Paper be published in January as suggested by the Secretary of State for Employment?



YTS: Coverage and Duration

5. The Secretary of State for Employment proposes that the YTS should be developed to provide all young people, on first entering the labour market, with the opportunity of foundation training for work. Changes required to achieve this would be:

(i) removing the age limits (under-18s only are eligible at present); and

(ii) opening the scheme more widely to employees, as distinct from the unemployed (note attached to E(A)(83)19, paragraph 12(a)).

The Secretary of State suggests that these changes could be introduced progressively over the decade within existing PES provision and comparable levels of provision in real terms thereafter. He argues that there would therefore be a nil net cost in total, though numbers trained would be likely progressively to fall. Finance is discussed further at paragraph 8 below.

6. The Secretary of State for Employment argues (paragraph 11) of his note) that provision for access for all young people to good foundation training is desirable on economic, even more than on social, grounds. The Sub-Committee will wish to consider whether they agree with this; if so, whether the extension of YTS more widely to employees is necessary to ensure the provision of training; and how the cost of such an extension should be shared between employers, trainees and the Exchequer. It may be argued that the finance for this extension of YTS might be better applied to other purposes; and particularly for the purposes of the unemployed. Paragraph 11 of the Secretary of State's memorandum notes that 18-year-olds entering YTS under an extended scheme would be more likely than younger school-leavers to have received either relevant education, training or work experience already through school and further



education. More generally, the Sub-Committee may care to consider how long-term policy for the YTS should allow for the possibility of further developments during the decade in the provision of relevant education and foundation training from such other sources; and the tone to be struck on this point if a White Paper is published.

7. The relationship between the YTS and YWS is dealt with separately in the Secretary of State for Employment's memorandum E(A)(83)20. The Sub-Committee will wish to satisfy themselves that proposals there for 1984/85 are consistent with the longer-term policy objectives set out in E(A)(83)19.

YTS: Public Expenditure Implications

8. In paragraph 3 of the note attached to E(A)(83)19, the Secretary of State for Employment accepts that his proposals for further action over the next two years

'must be contained within existing provision in the PES period and comparable levels in real terms thereafter'.

In effect, this seeks the maintenance of resources provided at present levels in real terms despite a decrease during the period under discussion of more than 20 per cent in the client group for demographic reasons. Some members may wish to consider rival claims to the resources involved, whether inside or outside the training field. On the other side, the Sub-Committee will wish to weigh the claim to resources which might be held to arise from public commitments made by the Government, especially in the 1981 White Paper, and their view of the likely economic benefit of the proposed extension of YTS. If the Sub-Committee is content broadly to accept the public expenditure implications of the Secretary of State for Employment's proposals, they may wish to express views on the way in which the question of resources should be treated in the White Paper. It is likely that Treasury Ministers in particular will want it to be flexible



enough to be adjusted in the light of events, including economic improvements leading to a greater readiness on the part of employers to assume responsibility for more of the costs of the scheme.

Adult Training: The MSC

9. Proposals by the MSC for further improvement in adult skill training fall into three main parts:

(i) an awareness campaign on the need for adult training amongst employers, potential trainees and providers of training; and otherwise to act as a catalyst for action by others (note attached to E(A)(83)19, paragraph 18);

(ii) to restructure its own training provision

(a) to provide a programme of job-related training focussed more on known employment needs in industry and on helping the creation and growth of businesses (paragraph 19);

(b) to provide more basic training, particularly to restore employability after long periods without work (paragraph 20).

10. These proposals are likely to be welcome to the Sub-Committee. They imply a move towards more on-the-job training integrated with employers, with some implied reduction in the scale of the off-the-job training currently provided by the MSC itself. The Sub-Committee will wish to explore the nature of the transitional effects and to consider any implications, including implications for public presentation of policies.

Who should pay?

11. The Secretary of State for Employment's proposals for financial responsibility for training are set out in paragraph



7 of the attachment to E(A)(83)19 and, in the main, are dictated by the 'market approach'. Proposals affecting the financing of skill training are unlikely to be contentious if the Sub-Committee is content with the general 'market approach' proposed by the Secretary of State to deal with problems of skill training. Some members may, however, have reservations about the MSC suggestion of a system of Government-guaranteed bank loans for individuals for training purposes. The question is whether in present circumstances, given that market incentives for individuals to finance their own training are undesirably low, there is likely to be much immediate advantage from such a scheme. It may be argued on the other hand that the potential of such a scheme would lie in the eventual success of a policy of removing existing distortions in the market for training.

12. The Secretary of State suggests that responsibility for financing foundation training, as opposed to skill training, should lie with the Government. He argues that this should be so because

- (i) vocational education is so financed;
- (ii) because such training produces community benefits;
- (iii) because there is significant State provision for such training in competitor countries; and
- (iv) because collective finance by employers would be inconsistent with policy pursued in relation to the Industrial Training Boards aimed at leaving the financing of training to individual firms.

The Sub-Committee will wish to consider whether these arguments outweigh any desirability of an arrangement under which foundation training was collectively financed by a tax or levy of some sort on employers. The Secretary of State for Employment considers and rejects the alternatives



of a remissible training tax raised by the MSC and a hypothecated surcharge on NI contributions. On the one hand, collective funding arrangements would impose an additional burden on employers and would be contentious, requiring legislation; on the other, it could be argued that the benefit of foundation training to employers in aggregate was at least as great as that to the community at large; and that arguments based on the Industrial Training Boards, which are concerned with training relevant to particular sections of industry, which can reasonably be expected to be carried out and financed by individual employers, may not apply equally to foundation training, which cannot.

White Paper

13. The Sub-Committee will wish to consider the proposal for a White Paper in January in the light of their decisions on the substance of his proposals in E(A)(83)19. If they favour publication, you will no doubt wish to invite the Secretary of State for Employment to circulate a draft text for comments.

HANDLING

14. You will wish to start by inviting the Secretary of State for Employment to present his paper and the Secretaries of State for Education and Science, Scotland and Wales to add any comments they may have. The Chancellor of the Exchequer and the Chief Secretary, Treasury will no doubt have points related to both policy and resources.

CONCLUSIONS

15. You will wish to reach conclusions on the following:

- (i) the Secretary of State for Employment's general approach to training (the 'market' approach);
-



- ii. the proposal to develop YTS in the course of the decade by removing age limits and making the scheme more widely available to employees;
- iii. the nature of the financial commitment within which ii. above should be achieved; and its presentation in the White Paper;
- iv. the funding of the YTS (by general Exchequer resources or collectively by employers in some way);
- v. MSC proposals
 - a. for a national awareness campaign in 1984; and
 - b. the restructuring of their adult training provision on the lines proposed in paragraphs 16 to 22 of E(A)(83)19;
- vi. the proposal for further discussion between the Secretary of State for Employment and the MSC on the possibility of a pilot loan scheme;
- vii. the proposal for a White Paper on the further development of vocational education and training soon after Parliament reassembles in January.

PLG

P L GREGSON

9 December 1983

The Youth Training Scheme (YTS), Young Workers' Scheme (YWS) and Community Programme (CP)

Youth Training Scheme

YTS replaced from 1 April 1983 some existing programmes for young people run by the MSC, including the Youth Opportunities Programme and the Unified Vocational Preparation Programme. It provides a high quality integrated programme of training and planned work experience lasting up to a year, including a minimum of 13 weeks' off-the-job training or further education. It is designed to give school leavers a range of practical transferrable skills to enable them to compete more effectively in the labour market. The majority of places will be work-based with employers. During the first year of the scheme, unemployed 16 and 17 year old school leavers are eligible, together with unemployed disabled leavers up to age 21. Some 16 year old employees can be brought into the scheme if their employers take on unemployed YTS trainees. The scheme includes an undertaking that a suitable place on YTS will be found for all unemployed 16 year old leavers by Christmas 1983. Trainees under the Scheme receive an allowance of £25 per week (though they may receive pay which is higher than the allowance if they have employee status). Employers who run schemes receive a block grant of £1,950 per participant per year to cover remuneration and other expenses including fees for training off the job.

Young Workers' Scheme

2. The YWS came into operation on 4 January 1982 and is designed to encourage employers to take on more young people at realistic wage rates. Under the scheme employers are able to claim weekly payments in respect of young people who are under 18 in their first year of employment. Payments are £7.50 where the eligible person's gross earnings are £47 a week or less, and £15 a week where gross earnings are £42 a week or less.

Community Programme

3. The Community Programme provides temporary employment for long-term unemployed adults on projects of benefit to the community. Recruitment to job opportunities is restricted to people aged



18 to 24 years of age who have been unemployed for over 6 months in the past 9 months and those aged 25 years and over who have been unemployed for over 12 months in the past 15 months. CP sponsors have wage costs reimbursed up to an average of £60 per participant per week. (Participants, some of whom work full-time and some part-time, receive the normal wage-rate for the job.) In addition, sponsors are able to claim overheads of up to £440 per place per year, or pro rata where schemes last for less than a full year.

conqueror



10 DOWNING STREET

PRIME MINISTER

A meeting of E(A) has been arranged for Tuesday, 13 December to discuss the new training initiative. The Secretary of State for Northern Ireland is unable to attend, and would like Mr. Adam Butler to come instead.

Agree?

Yes no

25 November, 1983

Message passed to
NIO by telephone, and
Cabinet Office
informed. DMB
30/11



10 DOWNING STREET

21 November, 1983

*From the Private Secretary*MR. HATFIELD
CABINET OFFICENATIONAL TRAINING COMMISSION

The Prime Minister has seen Sir Robert Armstrong's minute of 18 November and the draft paper attached to it. She is content that the circle of departments involved in this work should now be widened, on the understanding that knowledge of the proposals is kept very restricted.

On the substance of the paper she had two comments. First she takes the view that the option in paragraph 17a is inconsistent with the remit as set out in her personal minute to Sir Keith Joseph of 8 November. This stated that

"By NTC I meant an organisation developed out of the MSC, and reporting principally to the Secretary of State for Employment as the MSC does now".

She therefore does not wish the option of a NTC reporting formally to the Secretary of State for Education and Science to be pursued further.

Secondly, she has noted that the options for the scope of the NTC are discussed solely in terms of the resources to be transferred. She feels that the paper needs to cover the extent to which the larger or smaller transfer affects the range of courses which the NTC is able to finance. Ministers will also want to know what would be left to be financed by the colleges in the usual way with the larger and smaller options.

I am sending a copy of this minute to Barnaby Shaw (Department of Employment), Elizabeth Hodkinson (Department of Education and Science) and David Vere (Manpower Services Commission).

(Andrew Turnbull)

21 November, 1983

PRIME MINISTER

cc Mr Mount

National Training Commission

Sir Robert Armstrong has completed the first phase of his work and has produced a draft of a paper for Ministers. At this stage he is not asking for policy decisions from you but merely for authority to widen the circle of Ministers and officials who can be consulted. This would still be on a need-to-know basis.

His aim is to produce a new version of the paper, taking account of the comments of this wider group, in time for a meeting of Ministers when you return from CHOGM.

The two main policy choices will be the size of the resources to be transferred to the NTC and the reporting arrangements. I imagine that on the former you will want to have the largest transfer that can be achieved within the constraints of existing legislation and the need to maintain the co-operation of local authorities. On this there remains legitimate doubt which Sir Robert's group should investigate further.

On the reporting line for Ministers you expressed the view in your minute to Sir Keith Joseph that:-

"By NTC, I meant an organisation developed out of the MSC, and reporting principally to the Secretary of State for Employment as the MSC does now."

It is therefore somewhat surprising to find option A in para. 17 still alive. You need to consider whether the paper which comes to Ministers contains this option. If it does there is a danger that your meeting will be dominated by this issue rather than how to implement the kind of NTC you have in mind.

/I feel

I feel there is a defect in the paper. The responsibilities of the NTC are described only in terms of the amount of money to be transferred to it, not in terms of the courses it would be able to finance. In deciding how much to transfer, Ministers ought to know how much wider is the scope of the NTC's activities (ie whether it would be confined to courses such as construction and engineering or whether it should also finance courses in the services sector). Ministers also ought to know what would be left to be financed by the colleges in the usual way with the larger and smaller options.

I agree
mt

Agree:-

- i) Sir Robert's procedural proposals? Yes
- ii) That the paper which is circulated to the wider group should delete the option in 17a? It is fully contradictory to para 1.
- iii) That the paper should set out the implications for the scope of NTC's work of the larger and smaller financing options? I believe I will have difficulty with the Minister. mt.

Yes mt.

AS

18 November 1983

Thank you for
summarising this paper so
marvellously for me.

cc Mr Mount

9

Ref. A083/3304

PRIME MINISTER

Summing up your meeting on 1 November, you said that there was a strong case for the establishment of a National Training Commission to administer funds at present made available to local education authorities to finance work-related training in the Non-Advanced Further Education (NAFE) sector. You said that more work was needed to refine the proposal; to determine the extent of the resources to be transferred; to clarify the reporting arrangements; and to establish how much could be achieved within existing legislation.

- 2. I attach a paper, which I have prepared in consultation with the Permanent Secretaries to the Departments of Education and Science and Employment.
3. The paper shows that it should be possible without legislation to introduce a workable scheme under which a certain amount of the money now channelled into work-related training in the NAFE sector via the block grant to local authorities would be channelled via the Manpower Services Commission (MSC), for whom this would be a sizeable increase in the amount they spend on training courses provided by the local education authorities in institutions of non-advanced further education. Such a scheme could come into effect from 1 April 1985. Legal opinion will have to be sought, however, on how far it would be possible to go in terms of the amount of resources transferred from the block grant to the MSC without exposing the Government to the risk of challenge on the grounds that local education authorities would no longer be able to meet their obligations under the Education Act 1944 to provide full and part-time education for those under the school leaving age.
4. Subject to the legal advice on this point, there are two main questions for Ministers to consider:
- (1) The amount of resources to be transferred.
 - (2) The nature of the Secretary of State for Education and Science's involvement in the development of and decisions on the Manpower Services Commission's plans



for expenditure in the Non-Advanced Further Education sector and their implementation.

5. On the question of the amount of resources to be transferred, apart from the legal question, there is a political decision, which will fall to be determined by reference mainly to two considerations: how large a transfer local authorities would take, and how large a transfer the MSC would need for effectiveness. The Department of Education and Science believe that £100 million, achieved over a period of years, is about the limit on what local authorities would take; the Department of Employment believe that about £200 million, achieved over a relatively short time, is about the least which would enable the MSC to be effective.

No. -

Yes

6. On the question of responsibility, the choice is between an arrangement which would make the MSC statutorily responsible to the Secretary of State for Education and Science for its work-related training programmes in the NAFE sector, and responsible to the Secretary of State for Employment on the rest of its work, and an arrangement which leaves the MSC statutorily responsible for all its work to the Secretary of State for Employment but gives the education services a significant consultative role in the planning and implementation of MSC activities in the NAFE sector. The end-result might not be greatly different in either case, in terms of effects upon courses; the first option would be more cumbersome, in that the MSC would become formally responsible to two Secretaries of State (four if you count the territorial Secretaries of State as separate education Ministers), but it would recognise the Secretary of State for Education's formal responsibility for the oversight of further education and might help to reassure the local authorities. *This has been the trouble*

*No -
this was
clear from
the outset
There is
no point
in going
ahead at
all if
it is
responsible
to who
does to
who do the
responsible
to is distinct
needs.*

7. These proposals have so far been discussed only with the Departments of Education and Science and Employment, and in them only with their Secretaries of State and with a very few senior officials. Other Departments would be directly affected, and it would be essential to consult them before official decisions are taken. Departments concerned are the Treasury, the Department of the Environment, the Scottish Office, the Welsh Office and the Law Officers (the Attorney General and the Lord Advocate).



8. Time is running short if a White Paper is to be produced in January. I am concerned that you will not be able to discuss this before you leave for New Delhi on 21 November, and that we shall lose valuable time if no further progress can be made until you return. I should like, therefore, to suggest that we should embark without further delay upon consultations with senior officials in the Departments concerned. I would write to the Permanent Secretaries concerned to say that a meeting of Ministers under your chairmanship had concluded that there was a strong case for a transfer of resources from the block grant to local authorities to the MSC, to enable the MSC to commission and direct work-related training courses in the NAFE sector; that I had been instructed to prepare proposals which would achieve this result without legislation; that I was circulating the attached paper which had been prepared in fulfilment of that instruction; that you had instructed me to consult the Permanent Secretaries of the other Departments affected with the view to producing a revised and refined version of the paper which could be discussed at a meeting of all the Ministers directly concerned after your return from New Delhi. In my absence the consultations would be convened by Mr Le Cheminant and Mr Gregson. I would emphasise that in the meantime no decisions had been taken; and that knowledge that proposals of this kind were being considered was being kept on an extremely restricted basis, and that they should involve nobody other than their Secretaries of State (the Chancellor of the Exchequer and the Chief Secretary in the case of the Treasury), the Attorney General and the Lord Advocate, and one or two senior officials each as necessary for the purpose of considering the proposals.

9. I should be grateful if you could let me know whether you are content that I should proceed accordingly.

18 November 1983

AP
Approved by
ROBERT ARMSTRONG
and signed in his absence

SECRET

RESPONSIBILITY FOR WORK-RELATED TRAINING IN THE FURTHER EDUCATION SECTOR

Note by the Secretary of the Cabinet

Ministers decided at their meeting on 1 November that there was a strong case for converting the Manpower Services Commission (MSC) into a National Training Commission with new responsibilities for the direct funding of some work-related Non-Advanced Further Education (NAFE). The essential feature of the proposal would be the transfer to the MSC of some part of the Government block grant to local authorities currently intended for the NAFE sector and distributed through the Rate Support Grant (RSG) mechanism.

2. This paper looks at how far the proposal can be developed within existing legislation, how large the transfer of resources might be in such circumstances and the other arrangements, including Ministerial reporting arrangements, that would be necessary. The paper is written in terms of England and of the responsibilities of the Secretaries of State for Education and Science and for Employment. But it assumes that the MSC's new role would extend to Scotland and Wales, and that similar arrangements would be made to cover the interests of the territorial Secretaries of State.

SCOPE WITHIN EXISTING LEGISLATION

3. It would not be possible to change the title of the MSC without legislation. But the Commission already has the necessary power to fund work-related education under its general duty "to make such arrangements as it considers appropriate for the purpose of assisting persons to select, train for, and retain employment" (section 2 of the Employment and Training Act 1973), and it already spends around £90 million a year in the NAFE sector.

4. The MSC's statutory ten members include only one formally appointed to represent education interests and there is no way of adding to the Commission's membership without legislation. But the Secretary of State for Education and Science appoints members, and he could make it clear in future to the local authority associations (and perhaps to the Confederation of British Industry and the Trades Union Congress as well) that he would want them to reflect the value of educational experience in nominating people for membership. No new appointments are due until 1 January 1986, but the existing local authority representatives are past or present Chairmen of the Education Committees of their Associations.

5. There is scope under existing legislation to set up new advisory machinery at national and local level to help both Ministers and the MSC in the discharge of their responsibilities. Changes could also be made, without legislation, in the numbers and composition of the MSC's existing 54 Area Manpower Boards whose remit covers some employment as well as training aspects of the MSC's work.

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6. As far as resources are concerned, there is no legal bar to reducing the Exchequer contribution towards the cost of NAFE through RSG and giving the equivalent resources to the MSC to spend on courses provided by both local authorities and the private sector. What would happen in practice would be that the money spent by the MSC in Further Education (FE) colleges would reduce the net cost of NAFE to local education authorities, and thus reduce their "relevant expenditure" (see paragraph 10).

7. There could however be a legal problem at the level of the individual authority where grant loss might be much greater in amount than the payments received from the MSC. It is possible that a decrease in general rate fund income so caused, taken together with Government measures to contain local authority expenditure such as grant holdback and rate capping, could make an individual authority unable to fulfil its statutory responsibilities under the 1944 Education Act and so call in question the Secretary of State for Education and Science's duty to ensure that it so fulfils them. This would of course depend on the severity of the holdback penalties and the level at which the rates were capped. The greater the transfer from RSG to the MSC the greater the risk of this kind of legal challenge. The Law Officers' opinion will be needed on whether there is a risk of challenge here and on the chances of a successful challenge.

8. If Ministers wanted to allow the MSC to concentrate its efforts on training and on work-related NAFE, the Secretary of State for Employment could take back the employment service, relying on his reserve powers in the Employment and Training Act. A copy of the Law Officers' advice is annexed. This agrees that the powers may be used in this way, but notes that this would go to the limit of what can be legally justified. In my judgment, whatever the strict legal position, it will be politically more difficult to proceed without legislation if Ministers significantly alter the role of MSC by taking away a major existing function at the same time as adding a new one. I would not therefore recommend the removal of the employment service work at this stage. If however Ministers wanted simply to emphasise the MSC's new responsibilities it would be possible, if it were felt this would be helpful presentationally, to group the training side of the Commission's work under a new non-statutory title such as "National Training Agency".

9. The MSC could thus become a National Training Commission in all but formal title without any new legislation. But there may be some risk of legal challenge and of Parliamentary criticism. In practice that risk obviously grows in proportion to the opposition (both initial and continuing) which the proposals attract. Both this, and indeed the amount of support for them, depend on the scale of reduction in RSG and on the arrangements made to make the proposals work.

RESOURCES

10. The NAFE sector currently costs some £1,200 million a year of which about £800 million is devoted to provision that is in some sense work-related. This is part of relevant expenditure on

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all services in England of about £22 billion in 1983-84. About half of this sum is met from the rates or from income from charges and the other half from the Exchequer, principally through block grant. None of the block grant is hypothecated to particular activities or even services; but with this important qualification it may be said that of the £800 million about £325 million is met by central Government through block grant. Another £325 million is funded from the rates; the MSC itself already provides about £90 million as a customer for courses; and the balance comes from fees from individuals, employers, industrial training boards etc.

11. The distribution of block grant depends on rate resources as well as on spending needs. The proportion of total expenditure met from block grant therefore ranges from zero in the Inner London Education Authority (because of its high rate resources and high spending in relation to need) to over 60 per cent in some other education authorities with low resources and spending. It follows that a transfer from block grant to MSC funding would have a widely differing impact. Indeed since the mechanism for the transfer under present legislation could only be a reduction in the total of block grant paid to all local authorities, some of the loss of grant would fall on those without any education responsibilities (eg district councils in shire counties) who would gain nothing in return from the MSC.

12. The essential point about the RSG element is that, although the £325 million is notionally allocated to work-related NAFE and present expenditure by Local Education Authorities (LEAs) on NAFE is in fact very close to the agreed plans, the Government has no power to force local authorities to spend any particular sum on NAFE or to control the type of courses on which it may be spent. A reduction in RSG and an equivalent increase in MSC funds would enable employers, industry and Government through the MSC directly to influence NAFE provision and to buy in NAFE courses in the private as well as public sectors. But, by the same token, it would make it more difficult for local authorities to manage their resources coherently, because a much larger proportion would be dependent on the decisions of an external purchaser. If for example £200 million of the current RSG provision were available to the MSC, some 30 per cent of the NAFE budget would be outside LEAs' control, compared with the present 12½ per cent or so, represented by current MSC and fee funding. These are of course only averages. In practice there would be wide variations from college to college and from area to area depending on the type of NAFE provision the MSC wanted in particular areas, their assessment of colleges' ability to make this provision to the standards they require, the existing capacity of FE colleges, and the availability of other capacity in the private sector.

13. There seem to be two options for transfer of resources. One is the transfer of the major part of the RSG provision; the other the transfer of a smaller amount ie well below 50 per cent. In either case the earliest the transfer could take place would be 1 April 1985 (the main outlines of the 1984-85 RSG settlement already having been announced, including the total of grant) and it would be possible to phase the RSG reduction and consequential

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increase in the MSC's grant over a period of years. The Department of Employment believe that the MSC need at least an extra £200 million a year if the change is to have the initial impact needed and to provide enough leverage to bring about the necessary changes. They think that a transfer of this order needs both to be reached quickly and to be in evident prospect from the outset. The Department of Education and Science (DES) point out that some areas of FE are well regarded by and responsive to industry. They think that a figure of £100 million a year, reached over time, would not be disruptive and could possibly be presented in such a way as to avoid confrontation with local authorities.

14. The main arguments that need to be considered in deciding between the two options seem to be:

i. The larger the transfer, the greater the impact in political and presentational terms and on the present FE system. It is believed that a substantial transfer would attract strong support from employers. If local authorities co-operate, it could have the major beneficial impact required, and the same is true if there is only initial hostility. On the other hand, a major transfer could provoke so much opposition and so much disruption to local authority plans that there would be no co-operation, and problems in delivery, if local authorities preferred to maintain opposition rather than accept the funds.

ii. A significant change in the funding arrangements for one part of the local authority education sector could lead local authorities to raid other parts of their budget, or to increase the rates to make good the deficits which may be inevitable until FE provision adapts itself to MSC requirements. This possibility - which must always arise on any attempt to modify the boundaries between central and local government responsibilities - could have undesirable implications for other Government policies, and could also lead to higher public expenditure, (to the extent that this was not prevented by rate capping legislation and authorities' reluctance to incur financial penalties).

15. Neither option would escape opposition from local authorities, because both involve the transfer to control by a quango of substantial sums previously controlled by local elected bodies. Both options therefore run the risk - which must be weighed against the advantages of change - of worsening the Government's general relations with local government, and could also put at risk policy initiatives on the wider education front, particularly in the schools, which depend on the co-operation of LEAs. In both cases not only the actual working arrangements devised for the MSC in its new role and for the transfer of resources, but also the way in which the decisions are presented will be critical.

WORKING ARRANGEMENTS: INVOLVEMENT OF EDUCATION INTERESTS

16. A key factor will be the way in which the MSC is able and is seen to be able to respond sensitively to the problems of the LEAs as managers and providers of the major part of work-related

education. This means that arrangements will be needed to involve both the Secretary of State for Education and Science and the LEAs in the decisions taken by the MSC and by the Secretary of State for Employment as the sponsoring Minister. The part played by the Secretary of State for Education and Science, in particular the extent to which he is seen to influence decisions and represent education interests at national level, may be looked at particularly critically.

17. The Secretary of State for Education and Science will continue to have overall statutory responsibility for the FE sector. Thus his relations with the LEAs will bear upon all courses run by FE colleges whether or not for the MSC. So will those of Her Majesty's Inspectorate whose basic role will be unaltered. There are then two options for his specific relationship with the MSC:

No - inconsistent with para 1.

This is clearly contradictory to para 1 and would be no part of an N.T.C.

a. The MSC could formally report to the Secretary of State for Education and Science and be subject to direction from him on their work-related education programmes, while continuing to report to the Secretary of State for Employment on their training programmes and general policies. This option would give the Secretary of State for Education and Science direct control over MSC decisions on NAPE, and would prevent a split developing between more general and vocational education. But it would complicate reporting lines, and also perpetuate the split between work-related education and training which the development of the MSC as a national training agency is partly designed to end.

b. The MSC could continue to report to the Secretary of State for Employment on their NAPE as all other activities but the Secretary of State for Education and Science would be closely involved in the development of decisions on the MSC's plans for expenditure in the NAPE sector and their implementation. It would be agreed that he would be consulted about any significant departure from plans during the year. This option would give more emphasis to the work-related training aspect of the proposals and would avoid complicating lines of accountability and management.

18. Whichever option is adopted, it would be important not to tip the balance too far against the key employer interests. The detailed arrangements for involving the DES and LEAs would need further work by the two Departments in consultation with the MSC, but the broad outline might be as follows.

19. At national level, the Secretary of State for Education and Science and his officials would be involved each year, as the Secretaries of State for Scotland and for Wales are now, and as the Secretary of State for Trade and Industry might be in future, in the consideration of the MSC's Corporate Plan, including the detailed work lying behind it. In practice this would involve consultation at the formative stage as well as at the stage of the formal submission of the Plan. There might also be, on the

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model of the existing Youth Training Board, a new non-statutory body to advise the MSC on its expanded NAFE activities. The board could be chaired by the Chairman of the MSC and its membership might include representatives of customers and suppliers of NAFE as well as DES, Department of Trade and Industry and Department of Employment assessors.

20. At local level there would need to be close and continuing contact and consultation between MSC officials and LEAs. This would be the main mechanism for the planning of courses in FE colleges and assessment of MSC requirements within national plans. It might be useful for this purpose to strengthen the MSC's area offices by the employment of staff on secondment from the education service.

21. These day-to-day working arrangements would need to be supported by new formal planning and consultation arrangements at local level. These might be based on the MSC's existing Area Manpower Boards whose membership, number and geographical coverage would need to be reviewed. The boards could be strengthened to give improved representation for LEA and professional education interests. They would be able to consider detailed plans for local NAFE provision in accordance with the guidelines set out in the MSC's Corporate Plan, and they would provide the main feedback to the centre on the local implications of MSC plans and priorities for work-related education. An effective dialogue with MSC staff would be essential.

22. These arrangements could require some additional manpower in the MSC. The Department of Employment suggest a figure of around 150 at a rough estimate. It would be for consideration whether this extra manpower would be found by reductions elsewhere in the Department of Employment group or whether there would have to be an addition to Department of Employment manpower totals.

PRESENTATION AND TIMING

23. Local authorities' reactions will no doubt be considerably affected by the amount of resources transferred. But for the Government, whatever its decision about the amount, the main requirement would be to present the proposal not as an attack on local authority competence but as a move to link work-related education programmes, which would still largely be provided by local authorities, even more closely to the needs of local industry and employers. Local authorities will not for the most part be losing resources; they will simply be getting them by another route. But to underline the point it seems desirable to announce the new arrangements in the context of a wider presentation of the MSC's training work. A White Paper could be produced for publication in January which would bring together a number of announcements on other fronts, for example the future of the Youth Training Scheme and of adult training.

24. Timing is critical. If the additional funds are to be given to the MSC in time to have a significant impact on FE course provision for the academic year beginning September 1985, detailed

SECRET

discussions with LEAs need to start early in 1984. The Government must in any event be ready to discuss the implications of the change in funding arrangements by May next year when negotiations begin on the 1985-86 RSG settlement.

DECISIONS REQUIRED

25. If Ministers wish to proceed with a scheme for transferring NAFE resources from RSG to the MSC which does not need legislation, they need to decide now:

i. The amount of resources to be given to the MSC (paragraphs 10-15). The choice is somewhere between a figure of around £100 million a year built up over time, which the DES regard as the most the local authorities will take, and a figure of around £200 million a year built up rather more quickly, which is what the Department of Employment think is needed to be effective. The judgment is for Ministers and depends essentially, subject to advice from the Law Officers on the risk of legal challenge to a substantial transfer, on an assessment of the reaction of local authorities to the size of the transfer, the leverage which a given size of transfer will provide, and the ability of the MSC to distribute the money successfully.

ii. Whether the MSC should concentrate all its energies on training and work-related education, or should also continue to run the employment service (paragraph 8). There are conflicting considerations here. One is the ability of the MSC to cope with a complex of tasks. On this basis the larger the transfer of responsibility for funding NAFE, the stronger the case for returning employment-related work to the Department of Employment. On the other hand, the return of the employment work would itself be controversial with the trade unions and employers. It would also be disruptive. Perhaps the decisive argument in favour of leaving the employment service with the MSC is that the addition of work-related training in NAFE to the responsibilities of the MSC without legislation would be less likely to attract legal challenge or Parliamentary criticism if it were presented simply as an extension of the MSC's existing role in the training area, with no change in its other responsibilities.

iii. The Ministerial reporting arrangements (paragraphs 16-18). The alternatives are to give the Secretary of State for Education and Science formal responsibility for the MSC's activities in this area, or to leave reporting lines unchanged but closely involve the Secretary of State for Education and Science in the approval of the MSC's plans for its NAFE activities.

iv. The general arrangements for involving education interests (paragraph 4 and paragraphs 18-21). These include the changes which might be made to the composition of the Commission's own membership after January 1986 when vacancies arise, and the detailed arrangements for consultation at both national and local level.

SECRET

v. The nature and timing of any announcement (paragraphs 23 and 24). The suggestion is an announcement in January by means of a White Paper about the MSC's general training and work-related educational role. This would present the proposed change in funding arrangements as having a major beneficial effect on the content and direction of work-related education but relatively little effect on its provenance, ie the LEAs.

CONFIDENTIAL

Opinion of the Solicitor General

I am asked to advise the Department of Employment as to whether or not certain functions presently laid to the Manpower Services Commission can lawfully be transferred to the Secretary of State under the power contained in Section 3(4) of the Employment and Training Act 1973 without the need for further legislation.

2. I am of the opinion that they can.

3. The functions concerned fall into two groups:

(a) Certain of the functions that may be exercised by the Commission under Section 2(1) of the 1973 Act "for the purpose of assisting persons to select, train for, obtain and retain employment suitable for their ages and capacities and to obtain suitable employees ..."

(b) Certain functions exercised by the Commission under Section 2(2)(a) of the Act as agent for the Minister.

4. So far as the functions exercised under Section 2(1) are concerned, Section 3(4) of the Act provides that if the Secretary of State considers that any action for the purposes of Section 2(1) should be taken in pursuance of the Act otherwise than by the Commission, or otherwise than by the Commission alone, he may after consulting the Commission about the matter make arrangements for the action to be taken by himself.

5. Although this discretionary power is fairly widely drawn it is subject to review by the Courts at the instance of a person having a sufficient interest and must be exercised in accordance with the express words of the Statute. This means no more than that the procedural requirements laid down by the Act must be strictly adhered to, and I assume that there will be no difficulty in complying with these conditions. But quite apart from the question of procedure a Court will be concerned with the manner in which the discretion is exercised. In this context I consider that the Court would enquire as to whether or not the Secretary of State had kept

CONFIDENTIAL

within the bounds of the Act and had acted reasonably, for a proper purpose and in good faith. Strictly speaking, each of these considerations forms a separate ground for legal challenge, but in this particular case I think that they all come down to the same question - is the proposed exercise of the power a proper use of the discretion conferred upon the Secretary of State by Section 3(4) of the Act?

6. I would agree with the assessment made by those instructing me that the manner in which the discretion is to be used "goes to the very limit of, but not beyond, what can be legally justified". I think it particularly important that the MSC is not to be deprived entirely of its functions in relation to at least some of the purposes contemplated by Section 2(1) of the Act. It is also significant that the proposals do not affect the rights of individuals. In order to minimise the risk of legal challenge it is important to be able to show that the power is not in reality being used to repeal the whole of Section 2(1) so far as the Commission is concerned. In the light of what I am told I think this condition is satisfied, and accordingly I consider that a Court would be unlikely to interfere with the exercise of the discretion in the manner proposed.

7. I have also considered the proposal from the point of view of legal policy. The power under Section 3(4) appears, from the background material with which I have been supplied, to have been designed as one for use in last resort, where for example the Commission had failed to provide an adequate service, or had failed to obey directions to improve it. I note that Section 3(2) confers power on the Secretary of State to give directions to the Commission modifying its functions, including depriving it of some of its functions, and that there is nothing on the face of the Act constituting a legal impediment to a substantial transfer of functions by use of the Section 3(4) power. Nevertheless, the proposed use of the power in preference to separate legislation will attract sensible criticism: it falls short of what is ideally desirable as legal policy, particularly in respect of the

CONFIDENTIAL

consequential transfers of property, rights and liabilities. However, in my opinion the margin by which it falls short of what is ideally desirable as legal policy is not so wide as to render the proposed use of the power improper.

8. So far as the second group of functions [ie those exercised by the Commission under Section 2(2)(a) of the Act] is concerned, I see no particular difficulty in effecting the necessary transfer although it will be necessary, of course, to examine the exact terms of the agreements made between the Commission and the Secretary of State under that Section.

9. I do not think that the Ministers of the Crown Act 1975 applies to the transfer of functions between the Commissioners and the Secretary of State. It is intended to deal with transfers between one Ministry and another.

10. This advice applies to England and Wales and not to Scotland.

Law Officers' Department

28 October 1983



8

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No. M11/83

SECRETARY OF STATE FOR EDUCATION AND SCIENCENATIONAL TRAINING COMMISSION

In your minute to me of 4 November you argued that work being undertaken by Sir Robert Armstrong should include the option of giving DES a grant-making power which it would use to finance training courses in colleges of further education.

I think both the sense of the meeting on 1 November and the record of it were clear. In summing up the meeting, I said that there was a strong case for the establishment of a National Training Commission, though further work was needed to determine the resources it should be given, what the arrangements for reporting to the different Departments should be, and how far the proposal could be developed within existing legislation. By NTC, I meant an organisation developed out of the MSC, and reporting principally to the Secretary of State for Employment as the MSC does now. The reference to reporting arrangements was to ensure that your Department's interests in education were adequately covered. It should have been clear that I did not envisage Sir Robert Armstrong's work including the option of either an enlarged Department of Education Training and Science or the option set out in your minute.

I am copying this minute to the Secretary of State for Employment, the Secretary of State for Trade and Industry, David Young and to Sir Robert Armstrong. This minute should be shown only to those officials working directly on these proposals.

Margaret Thatcher

8 November, 1983



10 DOWNING STREET

Prime Minister ①

You asked for a minute
to be drafted for you
to send to Sir Keele
Joseph

—
AP

7/11

M 11/83

PRIME MINISTER

NATIONAL TRAINING COMMISSION

My record of the meeting - copy attached - has been criticised by both sides as being unfair. Mr. King thinks it was not firm enough in ruling out an enlarged Department of Education and Training, and in making clear that an NTC would report to him in the first instance.

Sir Keith Joseph thinks I have not treated sufficiently sympathetically his proposals which take two forms - see his minute of 4 November.

- (i) A full-blown DETS, which he has now withdrawn;
- (ii) A change under which it would disburse directly to training colleges the money at present provided through RSG. This would establish the customer/contractor relationship but instead of MSC, the DES would be the proxy customer. The DES would be advised by a panel of employers and would consult with other Departments.

His minute asks that this lesser option should be considered in Sir Robert Armstrong's work.

I think the sense of the meeting was clear enough. I recorded that a case had been made out for establishing an NTC which I would have thought clearly implied rejection of Sir Keith's two options. The only questions to be resolved were how much RSG should be diverted to the NTC, how DES could be associated with its work and how much could be achieved within existing legislation.

/ Should Sir Keith's

Should Sir Keith's lesser option continue to be worked upon, even in the knowledge that it is unlikely to be proceeded with, or should Sir Robert Armstrong be told to concentrate on the NTC, reporting principally to the Secretary of State for Employment?

AT

4 November 1983

7

PRIME MINISTER

NATIONAL TRAINING COMMISSION AND RELATED MATTERS

I have seen your Private Secretary's letter dated 2 November recording our discussion on the previous day.

2. The letter gives the impression that only one proposal was before your meeting. This is not the case. The documents before your meeting were those attached to my Private Secretary's letter of 28 October. They set out, for Ministers' consideration, two proposals, not one. The first was mine, known as Option A, which is to transfer to a single Department of Education, Training and Science the training functions of the MSC and to give that Department a grant-making power to achieve the Government's objectives for NAFE. The second, known as Option B, was Tom King's which is to create a National Training Commission and to transfer to it funds from the Rate Support Grant.

3. In the light of our discussion, I do not wish to persist in arguing the case for the creation of a Department of Education, Training and Science (although I do believe that this is the rational answer to the problem since all the other Options retain the artificial distinction between education and training).

4. Even so, I fear that Tom King's proposal would do damage to the Government's other education objectives; and it would not in my view be the best way of achieving our objectives for training and NAFE. I have therefore asked my Permanent Secretary to pursue, in the discussions to be organised by the Secretary of the Cabinet, my alternative proposal which is that set out in paragraph 6 of the note on Option A attached to my Private Secretary's letter of 28 October. This is to give the Department of Education and Science, as now constituted, a grant-making power which it would exercise after consultation with the Department of Employment, the DTI and the MSC. This

SECRET AND PERSONAL

proposal has two advantages over Tom King's proposal:-

- i. It would do a great deal to reduce the risk of damage to our policies for schools; and
- ii. the grants envisaged would be more effective in reforming NAFE than the "proxy customer" arrangements proposed by Tom King.

5. I am sending copies of this letter to Norman Tebbit, Tom King, David Young and Sir Robert Armstrong.

KJ

4 November 1983

SECRET AND PERSONAL

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SECRET AND PERSONAL



10 DOWNING STREET

File

*Amendment suggested
by DEmp but not
sent AT 7/11 6*

From the Private Secretary

3 November 1983

NATIONAL TRAINING COMMISSION

I would be grateful if you could amend the fifth paragraph on the second page of my letter of 2 November to read:-

doubted whether
"The meeting ~~took~~ the view that the idea of an enlarged Department of Education and Training should ~~not~~ be pursued. *It was argued that* The NTC should, like the MSC, report to the Secretary of State for Employment but the Secretary of State for Education would need to be involved appropriately in the education aspects".

I am copying this letter to Callum McCarthy (Department of Trade and Industry), Barnaby Shaw (Department of Employment), David Vere (Manpower Services Commission) and Richard Hatfield (Cabinet Office) for the same limited distribution.

ANDREW TURNBULL

Miss Elizabeth Hodkinson
Department of Education and Science.

SECRET AND PERSONAL

Subst

cc Master



lie

RM

cc Mr Mount 5
Mr Letwin

10 DOWNING STREET

From the Private Secretary

2 November, 1983

B/F

Dear Elizabeth

NATIONAL TRAINING COMMISSION

The Prime Minister held a meeting yesterday to discuss the proposal for a National Training Commission. Also present were the Secretaries of State for Trade and Industry and Employment, Mr. David Young, and Sir Robert Armstrong.

Under the proposal there would be a transfer of a substantial proportion of £450 million at present available for non-advanced further education (NAFE) in the RSG to the MSC. The MSC could divest itself of the employment services to become an NTC and use these funds to finance training mainly in the colleges of further education, but also in the private sector.

This proposal was argued to have a number of advantages. The customer/contractor principle would be introduced, providing an extra discipline on LEAs which was currently lacking; the NTC would be more responsive to national and local training needs; and would improve co-ordination with other sources of training such as skill centres.

Against this it was argued that a large part of NAFE was not relevant to the MSC e.g. the 25% or so devoted to re-sits of 'O' and 'A' levels. Much of the rest of NAFE was represented by vocational training in hairdressing, catering, bakery etc., where the present arrangements were working satisfactorily and where employers were taking up the full output of the colleges. The NTC idea was most relevant in areas such as engineering, electronics and construction but these were a relatively small part of the total of NAFE. A more limited proposal, embodying the customer/contractor principle, could be devised in those areas which would avoid disturbing the arrangements which were satisfactory and which would avoid dispute with the local authorities.

/In further

In further discussion, it was argued that even in those areas where the output of the colleges was being taken up in full there would be benefits from an external stimulus to reduce costs. As the Audit Commission was likely to show, there was substantial inefficiency and poor working practice in the FE sector.

The meeting then discussed the need to revise the structure of the MSC in order to reduce its tripartite nature. This could be achieved not by cutting down CBI and TUC representation but by increasing the number of independent members.

It was argued that there would be advantages in incorporating the announcement of an NTC in the White Paper which was anyway required on the future of the YTS. This was due to appear around the turn of the year. Another possibility was to link the announcement with the Audit Commission disclosures on inefficiency in the FE colleges.

The meeting then considered whether legislation was required. It was argued that the NTC proposal could be largely achieved within existing legislation, the exceptions being changes in MSC structure and in its name. If legislation were introduced, it would delay implementation. It would not be feasible to introduce legislation in say the autumn of 1984 with Royal Assent in the spring of 1985 and then launch the scheme immediately. It would be impossible to conduct the RSG negotiations on the basis of a proposal still going through Parliament. If a start were to be made in April 1985 the proposal would need to be announced in the spring of 1984 before RSG negotiations started.

The discussion then turned to the reporting arrangements. It was argued that the NTC should not report exclusively to an enlarged Department of Education and Training as this would weaken emphasis on training and remove the positive element of the work of the Department of Employment.

Summing up, the Prime Minister said that there was a strong case for the establishment of a National Training Commission. More work was needed to refine the proposal; to determine how extensive the transfer of resources to the NTC should be; and to clarify the reporting arrangements. It was also necessary to establish how much could be achieved within existing legislation. Sir Robert Armstrong agreed to take on co-ordination of this work.

I am copying this letter to Callum McCarthy (Department of Trade and Industry), Barnaby Shaw (Department of Employment) and to David Vere (Manpower Services Commission) and Richard Hatfield (Cabinet Office). This letter should be shown only to those officials most closely concerned with development of those proposals.

*Yours sincerely
Andrew Turnbull*

(A. Turnbull)

Miss C.E. Hodkinson,
Department of Education and Science



10 DOWNING STREET

Prime Minister ⁽²⁾

For the meeting on Tuesday.
Briefs from Sir Robert
and Policy Unit will
reach you on Monday.

AT

28/10

Prime Minister ⁽¹⁾

Policy Unit brief
attached. Nothing is coming
from RTA.

AT

31/10

PRIME MINISTERNATIONAL TRAINING COMMISSION

Everybody agrees that the vocational side of NAFE is in a bad state. What should be done?

It would be disastrous to neuter the MSC by transferring its training functions to the DES. Nor should the DES be given specific grant powers for NAFE: the Department does not know enough about vocational training, or about the needs of employers, to use such powers wisely.

The questions are therefore:

- whether a National Training Commission should be set up under the hegemony of the Department of Employment;
- how such a Commission should be constituted;
- how it should fund NAFE.

1. A New Commission?

As Norman Tebbit points out, the Technical and Vocational Education Initiative has shown that a body like the MSC, under the control of DEm, can bring about improvements in education at a speed which the DES and the LEAs would consider impossible. This makes the idea of a new Training Commission attractive.

There will be vigorous opposition from local authorities and the educationalist lobby. The DES contend that this opposition will put at risk "the degree of co-operation which is required for [the Government's] . . . other educational objectives". We are inclined to doubt this. So long as the arrangements are sensible, the LEAs (after their initial remonstrances) will settle down to operating the new system, just as they have in the case of the TVEI. We therefore recommend that a new National Training Commission should be set up.

2. Constitution of the Commission

The DEm minute does not describe in detail how educational and other interests would be represented on the NTC. Nor does it clearly

identify the powers of the DES in relation to the NTC - important both for how the Commission operates, and how we present the change. We suggest that the DEM should be asked to produce quickly a detailed paper listing a series of possible constitutional arrangements, so that the matter can be discussed before any Cabinet decisions are made.

3. Who is to run the Employment Services?

The DEM minute also fails to make clear whether the employment services would be transferred from the Commission to the DEM. Norman Tebbit and David Young will argue that such a transfer should take place; Tom King's position is more ambivalent.

There are, in fact, good arguments both for and against the transfer: it would give Peter Morrison a chance to run the employment services more effectively, and it would establish the Commission's position as an educational body, thereby dampening some of the opposition from educationalists; but it would significantly weaken the case for leaving the Commission in the hands of the DEM, and would lead to increased pressure for a DES takeover.

On balance, we recommend that the employment services should stay where they are for the time being: this would make the required legislation somewhat simpler. The new body would then have to be called a Manpower & Training Commission.

4. A Gradual Shift in Funding

It is important to remember that 7.5 per cent (£90 million) of funding for NAFE already comes from the MSC. The proposal is to add to the Commission's training budget of £150 million the 37.5 per cent (£450 million) of NAFE expenditure that at present comes from the RSG. Should this transfer be immediate or gradual? Mr Tebbit favours an immediate shift, on the grounds that all the opposition could then be encountered and overcome at once. But we believe that a gradual shift would be preferable - say £100 million in the first year, rising to the full amount in the fifth year. This would give both the Commission and the LEAs time to adapt to the new conditions.

It would also enable the MSC to move in right away (ie 1984-5) without having to wait for the Bill to find a place in the legislative queue.

5 (C) A Role for Employers and the Private Sector

The main point of transferring the funds is to establish a customer/contractor relationship between the Commission and the LEAs. But we welcome the DEM suggestion that the Commission should sometimes act indirectly through employers, and should be willing to accept tenders from private-sector training institutions. Keith Joseph may argue that this will infuriate the LEAs, and make it impossible for them to sustain their present level of provision. The obvious reply is that public funds should be directed where they will be most effective: if LEAs are not providing the best services, they should not receive the money. And if the transfer of funds from the RSG to the Commission is gradual, the LEAs will have time to improve their services sufficiently to attract the money rather than lose it to the private sector.

Summary

We recommend that:

- a new Manpower & Training Commission should be set up, with power to fund NAFE;
- the DEM should be asked to produce a detailed paper on the constitution of the Commission and its relation to DES;
- the employment services should remain in the hands of the Commission for the time being;
- the transfer of funds from the RSG to the Commission should be gradual, and should start as soon as possible without waiting for new legislation to take effect;
- the Commission should accept tenders from private training institutions as well as from LEAs.

FERDINAND MOUNT *fm*



cc: FM
2. NO
No further
for the
moment
pl.
S AT
28/10

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

28 October 1983

Dear Andrew,

NATIONAL TRAINING COMMISSION

You wrote to Barnaby Shaw on 21 October to commission a brief for the meeting on 1 November.

I now attach an agreed cover note and notes produced separately by my Secretary of State and the Secretary of State for Employment on their preferred options.

I am sending copies of this letter to Barnaby Shaw (DE), Callum McCarthy (DTI), David Vere (MSC) and Richard Hatfield (Cabinet Office).

Yours,
Elizabeth

MISS C E HODKINSON
Private Secretary

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London
SW1

SECRET

VOCATIONAL FURTHER EDUCATION

Note by the Secretary of State for Education and Science and the Secretary of State for Employment

The Government's objectives for the vocational education provided by the further education (FE) sector are that it must efficiently meet the needs of the customer - individual employers, ITBs and voluntary training organisations, the self-employed and students themselves - and adapt readily to change. Present standards of performance and of responsiveness are patchy. Some colleges and departments are good, other not. Areas such as catering and hairdressing are thriving; questions arise over quality and relevance in some traditional areas.

2. Attention needs to be focussed on the directly work-related part of Non-Advanced Further Education (NAFE) (ie not 'O' and 'A' level work or adult liberal education). The Advanced Further Education (AFE) sector has recently been given new machinery (the National Advisory Board) which should be given a chance to prove its capacity to assist with rationalisation.

3. NAFE currently costs some £1200 million a year. Some 17% (£200 million) is already derived from sources other than central and local government funding of education - particularly MSC (£90m), ITBs (£7.5m) and student fees (£75m). £450m comes from RSG and £550m from the rates and other local authority financial sources. We need to make better use of these RSG and MSC resources to improve the education and training provided, through new financial leverage.

4. Whatever form new financial leverage takes, local government bodies and others will be hostile to any arrangements which withdraw money from the discretion of local authorities and increase the direct power of central government or a quango. The degree and duration of hostility will vary widely with the nature, scale and presentation of change. The implications for other educational policies and objectives have to be considered.

5. The Secretaries of State agree on the analysis in paragraph 1 - 4. They differ on the form which new leverage should take. Several options have been identified in discussion, but the main choice may lie between:

- New*
- A. To transfer to a single Department of Education, Training and Science the training functions of the MSC and some key staff and to make the local education authorities responsible for implementing these with their education functions in an integrated way. Direct leverage would be exercised by the new department through specific grants (within the total of RSG) to LEAs for work-related NAFE on the basis of advice from the customer. Such grants could also be given without change in departmental functions.

Legislation would be needed to create the department or to give the grant-making powers.

- B. Increased resources in the hands of a re-shaped MSC - a National Training Commission (NTC).

Primary legislation is not essential for the transfer of resources; it would however be needed for any formal change of MSC title or change in membership and, if there were a large transfer of RSG funds, it might be needed to redefine the functions of local education authorities in relation to NAFE.

6. These Options are dealt with in the attached Annexes by the separate Secretaries of State.

OPTION A

CREATION OF A DEPARTMENT OF EDUCATION, TRAINING AND SCIENCE WITH SPECIAL GRANTS TO LOCAL EDUCATION AUTHORITIES

This option involves the creation of a Department of Education, Training and Science (DETS) by transferring the responsibility for publicly funded training from the Department of Employment to the DES. It is inherently sensible to combine responsibility for the whole of education and publicly funded training. It is not feasible to achieve this by transferring the whole of education responsibilities to the Department of Employment; but the reverse transfer is feasible. The new department would be able to evolve policies for the coordinated and rational development of training and education in a fast moving environment where the overlap between the two is becoming increasingly anomalous.

2. The staff responsible for the training activities of the MSC would not all be transferred to the DETS, but some would be, to provide the necessary cadre for eg the YTS. The Skill Centres would be privatised. A new body advisory to the DETS on training matters would be established. It would consist mainly of the customers. Powers would be taken to allow payments to private sector organisations in pursuit of training and vocational education objectives.

3. Direct leverage on NAFE would be exercised by the DETS through a new power to give grants direct to the LEAs for one specific purpose: namely the improvement of vocational and pre-vocational courses. The power would not extend to the schools, higher education, courses within NAFE of the type provided in schools or "adult liberal education". The justification for this distinction would be the Government's special responsibility to improve training and vocational skills for the sake of the performance of the national economy. The total amount of the grants is best decided after a review of the quality of colleges and courses and consultation with the customers and the local authority associations.

4. This approach is better designed to secure improved and more cost-effective training and vocational education than is the use of MSC (or a new NTC) as a proxy customer. The conditions attached to the allocation of grants to

SECRET

to individual authorities would be used to promote the quality and cost-effectiveness of both training and other related courses. The use of the powers could thus be directed to the improvement of the NAFE system as a whole. This is a task which can only be performed by the department which is responsible for the performance of the NAFE system, including those parts of the system which are responding to contracts placed from outside.

5. This approach, which does not conflict with the existing statutory functions of local authorities, has a reasonable chance of securing local authority cooperation. The DE proposal would so antagonise the local authorities as to put permanently at risk the degree of cooperation which is required for the Secretary of State for Education and Science's other educational objectives, especially that of raising the standards of education in schools.

6. If a major change to departmental functions were not acceptable, the specific grant described in paragraphs 3 and 4 should nevertheless be introduced by DES. Much work is already in hand to improve the efficiency and responsiveness of NAFE. The new grant powers would greatly reinforce this process by a means which the local authorities could be persuaded to accept.

Department of Education and Science
28 October 1983

SECRET

OPTION B

MAJOR TRANSFER OF RESPONSIBILITY FOR FUNDING WORK-RELATED
NON-ADVANCED FURTHER EDUCATION TO A NATIONAL TRAINING COMMISSION
(NTC)

1 There would be a transfer of a substantial proportion of the £450m at present available for NAFE in the RSG to an NTC. The NTC would continue to have the MSC's present responsibilities for training in addition to its new responsibilities but the opportunity might be taken to transfer the employment services to DE. The NTC would then concentrate on training. Through membership of the NTC, the CBI, TUC, LEAs and as desired other representatives of employers, employees and education interests would continue to bear a measure of direct responsibility for the delivery of programmes to meet the objectives approved by Government. Both NAFE and Skillcentres would be opened up to private sector competition.

2 The NTC would spend the transferred funds mainly with the LEAs but some might go to private sector training. What exactly was provided would be responsive to the requirements of the NTC. A customer/contractor relationship would be introduced. The NTC would be able to exert a coordinated and integrated influence over the courses provided in the interests of meeting employers' requirements.

3 The NTC would, like the MSC, be accountable to the Secretary of State for Employment since the bulk of its expenditure would not be affected by the change but the Secretary of State for Education would be consulted on the educational and other members of the NTC, and on approval of NTC plans and would continue to be responsible for NAFE policy.

4 Attached at Annex A is a note setting out how an NTC would operate.

S E C R E T

5 This option has the major advantage that, without major organisational upheaval, it brings NAFE much closer to a body - the NTC - which is devoted to training and thereby secures greater responsiveness to employers' needs. The customer/contractor relationship give it a means for ensuring that the contractors - the CFEs - respond. Moreover, it builds on the MSC's existing connections with CFEs and, in particular, works outwards from the YTS which the MSC, because of its representative membership, is specially qualified to operate. It also uses the existing local office network of the MSC. Support for this option could be expected from employers and from parents and, if the package were balanced, the hostility of the trade unions could be greatly reduced.

Department of Employment
28 October 1983

W AN NTC WOULD OPERATE IN NON-ADVANCED FURTHER EDUCATION

1 The objective of setting up an NTC is to alter the present arrangements for the central funding of training and work related further education so as to make the provision more integrated, more efficient and more responsive to the needs of employers and of the economy.

2 The 1981 White Paper on a New Training Initiative (Cmd 8455) set out a set of objectives in the educational and training systems in order to produce a better trained and more flexible workforce. The MSC now disposes of £1½bn of tax payers money within the training system in pursuance of those objectives under the direction of the Secretary of State for Employment. The Secretary of State for Education lacks the same power to steer the deployment of the £500m of taxpayers' money notionally made available for work related non-advanced education as part of the Rate Support Grant settlement, nor is that expenditure subject to the competition/price mechanism which operates in the case of the MSC's expenditure on training.

3 The creation of an NTC would see part of the taxpayer's input to work-related NAFE diverted to the NTC for deployment in the same way as taxpayers' money on training. The NTC would then have a similar capacity for intervention in the provision of part of work related NAFE as it would exercise within the training system.

4 The following paragraphs outline the mechanism by which an NTC could be expected to deploy the work related NAFE resources allocated to it.

THE NTC'S NATIONAL OPERATION

5 The NTC would work in accordance with the vocational education and training objectives adopted by the Government in the 1981 White Paper on a New Training Initiative, notably those concerned with the transition from full time education to work. This is where integration of the work related NAFE and the training systems is particularly needed, though the development of provision for adults will become increasingly important.

6 The NTC would develop at national level proposals for the development of both systems for the purpose of meeting the

national objectives. Subject to Government approval of these proposals, the NTC would then arrange for their implementation. In relation to the work related NAFE this would be largely conducted through its purchasing function.

PURCHASING FUNCTION OF AN NTC

7 From within the sums allocated to it the NTC would purchase training, technical or vocational education from an LEA, a Polytechnic or other public sector educational institution.

8 The purchase would be effected either

(a) directly (contracts between NTC and LEA etc); or

(b) indirectly (NTC would make grants etc to employer and employer would be customer).

9 The NTC contract (whether direct or indirect) would be for specified outputs within a specified cost limit.

10 There would be no presumption that the NTC money would necessarily go to the public sector. Thus the LEA etc would be competing for contracts with other providers (eg employers, private sector trainers, non-statutory providers such as YMCA etc).

THE MECHANISM

11 The basic mechanism would be the five year planning cycle of the NTC, within which the normal annual review determines at national level the priorities for attention and involve the allocation of a training, technical and vocational educational budget to each local/area office of the NTC. Each local office will then determine the deployment of its budget according to these national priorities and the skill/knowledge etc requirements of its local market, assessed in consultation with relevant local interests. (The exact location of NTC offices etc would be for NTC itself to decide after consultation with local authority, employer, educational and other interests.)

12 It would be for the NTC local/area office to decide how to place contracts locally to secure outputs required within resources available. In reaching such decisions, the NTC office

would draw into discussion the whole range of potential local providers. It could do this informally or formally (eg a published tender notice). The placing of contracts would be determined as a result of a judgement about price, produce offered and performance (including success in job placement).

13 In this process, therefore, LEAs would be drawn into dialogue and discussion about the local labour market, key national requirements, and the capabilities and likely behaviour of other providers in the market place.

14 Although the process would have to operate through annual expenditure budgets, the intention would be for the NTC to develop with training and further education providers a reasonably predictable relationship so long as they are cost effective and up to standard. Indeed, it would be an object of the relationship to ensure this.

15 The actual pattern of direct financing would contain a variety of arrangements for channelling funds to CFEs. Where courses were provided in response to local labour market needs the NTC's contribution might cover only part of the costs by paying fees, with LEA funds and employers covering the rest. On the other hand courses to meet nationally identified needs which as yet had little expression in local labour markets would need much fuller financing by the NTC. The nature of the NTC's contribution would therefore vary between courses and would be determined by its desire to achieve its objective and get students into courses which it was prepared to support at minimum cost to itself. The NTC contribution would be a matter of judgement and negotiation in each case.

HOW WOULD THE NTC DERIVE ITS INFORMATION ABOUT THE MARKET PLACE?

16 The NTC would derive its judgement about the needs of the market place from direct access to a number of institutions, agencies and organisations with which LEAs presently have no systematic or comprehensive contact. These would be at national, regional and local level.

17 At national and regional level, these would include

- National analyses of labour market trends and requirements;
- Government views about key areas and priorities.
- NTC regional offices labour market intelligence gathering about training and further education related to occupational and local labour market needs.

18 At local level, the sources of information available to the NTC would include

- employers and local employers' associations, across all sectors, and of all sizes;
- YTS managing agencies (virtually every large employer in any locality now has day to day contact with the MSC and this contact would continue in NTC). The same is true of many employer organisations (eg Chambers of Commerce, group training schemes etc);
- the Area Manpower Boards and their successors (the employer members, in particular, are not individuals but representatives of employers in the area and mechanisms are already being established for regular feedback between AMB employer members and those they represent and vice versa);
- the Employment Service (Jobcentres etc).

19 The NTC would also have access to the developing training information framework output within the MSC which it would take over. This produces a systematic review and analysis, constantly updated, of what training is going on in a locality, what provision is available for use, what spare capacity there is and at what price it would be available.

SO WHAT WOULD BE NEW?

20 So far as LEAs and State further educational provision was concerned, the following would be the new features of such a system:

- LEAs and their institutions and staff would be drawn into a local dialogue and discussion about local labour market needs provision and national key priorities;
- they would have access to a much wider range of information about employer requirements, intentions and reactions to current provision;
- they would be exposed to competition in the market place for the available contracts, though given reasonable assurance of custom where their output meets the requirements cost-effectively;
- they would operate in work-related further education within a framework integrated with training and formulated by an identifiable national organisation on which they are represented.

21 The following results could be expected:

- injection of a price mechanism and a customer/provider relationship would inevitably lead to greater responsiveness to the needs of industry and the economy and better value for public money;
- there would be more cost-effective use of public resources (whether LEA or NTC or other) in any locality;
- there would be better utilisation overall of the facilities of the training and education system, both public and private;
- the new method of operating would also exert pressure on the standard setting and examining bodies to make their standards and tests more relevant to labour market, employer and individual needs.

Prime Minister ②

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PRIME MINISTER

NATIONAL TRAINING COMMISSION

I would like to comment on the proposal for a National Training Commission (NTC) from the point of view of the Department of Trade and Industry. For a number of years the Department has been involved in activities to influence education and training to make them more responsive to the needs of industry and commerce. Many of these activities have been concerned with industry/education links, but others such as the micros in schools scheme and the CNC machine scheme for FE Colleges have been directed at influencing the curriculum and its relevance to modern industrial conditions.

2 The Department's experience, confirmed by its contacts with industrialists, is that the FE sector is a relatively neglected part of the education system which in many ways seems to have lost its sense of direction and purpose. It suffers from inadequate provision of modern technological equipment. It is recognised that improvements are being introduced - indeed the Department is co-operating in some of these - but it seems unlikely that these will lead to rapid improvements and certainly not to the 'step change' which will be needed to meet the rapid changes in technology and skill



requirements which already exist, and which we must expect to become more intense. If we are not ready to meet these changes, the prospect of industry being able to respond fully to an upturn in the economy or to the longer term challenges we face is poor. The Department therefore favours a change of the sort envisaged in the NTC proposal.

3 The idea of putting the purchasing power in the hands of industry and employers generally is attractive both as a discipline on the FE colleges themselves and as a stimulus to employers to articulate their requirements more clearly. Many industrialists presently fail to set out their requirements, some because they despair of influencing the education system, others because they are dismayed at the length of time which elapses before change is discernible. A major advantage I see from this Departmental viewpoint is that there will be much more effective and rapid mechanism for connecting changes in the real world of industry to the changes needed in education. Once this is recognised, a much fuller and better informed guidance from industry should be forthcoming. I think it would be surprising if such a change did not induce a greater degree of cost consciousness in colleagues, which could bring a better balance between expenditure on modern equipment and staff costs, as well as offering a prospect of more training within existing resources.



4 To make sure this happens, we shall have to 'market' the NTC in such a way as to attract greater industrial involvement. It would be essential to have the NTC answerable to one Secretary of State. Although it might be held that this Department should sponsor industrial training I would not ask for a formal arrangement for the NTC to report to the Secretary of State for Trade and Industry as I think clear lines of responsibility are needed. I would, however, be anxious to join Tom King in persuading industrial and commercial employers to play their full part, and to use the resources of this Department to that purpose in close consultation with him and the NTC.

5 For the initiative to be fully successful there is one other point to which we shall have to devote care. The local representation of employers must be credible in a way which existing arrangements within LEAs are usually not. The Manpower Services Commission have made substantial progress in improving their local contacts with employers especially through AMBs and the YTS programme. We must build further on those foundations. It will also be essential to ensure that the NTC is clearly presented as a body concerned with training the employed in order to improve their effectiveness in employment, rather than training for the unemployed often without a clear prospect of a job as the MSC used to do.



6 I do not underestimate the difficulties and likely reactions of local authorities and educationalists, but I believe the TVEI has shown that effective changes in education can be introduced by changes in the funding arrangements. The need for an initiative of this kind to bring education closer to the world of work and training has been long recognised and if promoted with enthusiasm and flair it could be widely welcomed. No alternative way of achieving the change which our present and prospective industrial and commercial situation requires has been put forward in the twenty years or more since the need has become increasingly apparent and action is now urgent.

7 I am copying this to Keith Joseph, Tom King, David Young and Sir Robert Armstrong.

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28 October 1983

Department of Trade and Industry

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Manpower:
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10 DOWNING STREET

From the Private Secretary

21 October, 1983

National Training Commission

A meeting has been arranged for 1 November at 5 p.m. to discuss the proposal for a National Training Commission. The meeting will need to have before it a paper or papers setting out the proposals and their implications. I would be grateful if you and Elizabeth Hodgkinson could sort out what material is needed and how it can best be presented. Could this reach this office by Friday, 28 October, with copies to the Secretary of State for Trade and Industry, David Young and Sir Robert Armstrong, who will all be attending.

I am sending copies to Elizabeth Hodgkinson (Department of Education and Science), Callum McCarthy (Department of Trade and Industry), Richard Hatfield (Cabinet Office) and to David Young.

ANDREW TURNBULL

J. B. Shaw, Esq.,
Department of Employment

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Subject filed on Manpower: Special Emp Measures.

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cc Mr Young.

NOTE FOR THE RECORD

The Prime Minister met Mr. David Young today to discuss future development of the MSC. Mr. Young began by giving an account of the MSC's current programmes.

First, the YTS had been successfully launched. By mid-October 215,000 school leavers had joined the scheme and 350-400,000 should be on it by Christmas. It was wrong to present 215,000 as a failure. In part, this reflected the fact that one-third more school leavers had found jobs this year than last year. It was important to get the presentation right. Mr. Young said the MSC would be emphasising the declining totals of those without jobs or training places. He promised to let the Prime Minister have figures on the YTS which she could use in the Guildhall speech by 11 November.

Secondly, he said the TVEI had been successfully launched and it was expected that a further 40 schemes would be launched in the second phase. Thirdly, the community programme, which had now been accepted by the unions, would have taken on 130,000 by January. Finally, work on re-structuring the MSC was well advanced.

Mr. Young said his main concern now was to achieve reform of technical education. His proposal was that the MSC should become a National Training Commission. The Jobcentres would remain with the Department of Employment while the rest of the MSC would take over the technical education being carried out in the CFE's, the combined organisation being the NTC. It would be necessary to transfer a large portion of the local authority current expenditure currently devoted to the CFE's. He said he was encountering opposition from DES officials. While still Secretary of State for Employment, Mr. Tebbit had been a keen supporter of the proposal. Mr. Young said he would be seeing Mr. King later that day to enlist his support. It had originally been hoped to have a White Paper issued by mid-December which was necessary if this proposal were to take effect in 1985/86. He was hoping to keep to this timetable and asked if the Prime Minister could arrange a meeting of Ministers as soon as possible.

/The Prime Minister

CONFIDENTIAL

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The Prime Minister said she strongly supported this initiative (it was agreed that this should be communicated to Mr. King's Office in advance of Mr. Young's visit) and she agreed to arrange the meeting of Ministers.

AT

19 October 1983

COMMENT

A first look at TVEI

Elsewhere in this issue, Philip Venning reports on the early progress of three of the 14 Technical and Vocational Education Initiative projects – those in Devon, Barnsley and Hertfordshire. For obvious reasons it is mainly a matter of reporting aspirations at this stage. The TVEI has been set up at break-neck speed. The proposal itself was sprung on the world less than a year ago – a brilliant *coup* for Mr David Young, an opportunist's stroke which caught the Prime Minister's imagination and one which by-passed all the normal consultations. But when launched it was no more than a half-baked idea: all the planning remained to be done, and the only people who could do it were the local education authorities and the schools.

Though the Manpower Services Commission remain the paymasters, and may still turn out to have some disagreeable shots in their locker, the initiative is now clearly in the hands of the educators. This week's feature shows how varied the results are likely to be. Each of the three projects is developing differently. Each l.e.a. has interpreted the brief according to its own circumstances and its own strengths and weaknesses. A common feature is the emphasis on shining new equipment – not surprisingly, given the chance of buying new hardware at the MSC's expense. Whether this is going to make for the best kind of curriculum development remains to be seen. Without disputing the need to provide proper equipment, it is difficult to resist the Joseph-like belief that it is



TVEI pupils at St James High School, Exeter

not a lack of equipment which has hitherto inhibited new ideas about the curriculum.

Various questions seem to be emerging about the nature of the options which pupils will be invited to exercise at 14 and the extent to which they involve irrevocable commitments or exclusive choices. These questions go to the root of the secondary school curriculum dilemma – how to reconcile the objectives of a broad general education with a realistic recognition of a variety of talents, interests and outcomes. The limitation of the T and V aspects of TVEI to 30 per cent of the programme seems to retain the possibility of a genuine common core – but also emphasizes the often-overlooked distinction between diversified curricula with a common core and the much more prescriptive notion of a common curriculum.

Barnsley's TVEI scheme shows some of the signs of strain which are implicit in the desire to make it a success while also making sure it doesn't get any special or privileged treatment which might make TVEI

pupils more equal than others. There seems to be no way out of this maze: an exemplary scheme, intended to influence the whole system by demonstrating what can be done under favourable conditions with extra resources, is bound to bring unequal benefits to those lucky enough to be chosen as guinea pigs.

This, of course, makes it even more desirable to ensure that those taken into the scheme are a reasonable cross-section of the school population. First impressions seem mixed on this score. Some authorities have achieved a very creditable mix of ability and gender. Others are finding it more difficult. Barnsley, for instance, has reportedly found it particularly difficult to overcome the sex-stereotyping which restricts demand from girls for certain technical options.

It will be important, too, to look at the experience of schools in areas surrounding those which are now receiving the TVEI boost. Some teachers in Devon schools beyond the catchment areas of the TVEI project, complain that while MSC cash for expensive new equipment flows like

water for the chosen few, elsewhere in the county there is no money for new books for a science department which wants to change its chemistry course, or even to maintain the equipment and resources required for the last generation of curriculum development projects. If TVEI is just a new patch sewn into an old garment then it would be wise to look out for splitting at the seams.

Page 1

TVEI

The Manpower Services Commission scheme to introduce technical and vocational education for pupils of all abilities from 14 to 18, started this term in 14 areas. *The TES* visited three very different projects – in Devon, Barnsley, and Hertfordshire – and found:

- Thousands of pounds' worth of new computers, electronic typewriters, technical equipment and books, but confusion about how they should be used.
 - Fears that some 14 year olds are having to make irrevocable career decisions.
 - One project where important elements will not be put into effect until next year, if ever.
- Full story pages 12 and 13.

TVEI

From MSC dream to curriculum reality?

The new technical and vocational education initiative for 14 to 18-year-olds was sprung on a surprised educational world last autumn by the Manpower Services Commission.

Although Sir Keith Joseph, the Education Secretary, was clearly closely involved in the plan to bring a more technical and career orientated curriculum into the classroom, neither teachers nor local authorities were consulted before the announcement.

Some Labour l.e.a.s denounced the scheme as creating an academic and technical divide in

schools. Most authorities showed interest, not least because of the large sums of money the MSC was offering to set the projects up.

Under the terms laid down each authority running a scheme had to satisfy the following criteria:

- 1 Girls and boys should normally be taught together and care should be taken to avoid discrimination and sex stereotyping;
- 2 Programmes should provide four-year curricula designed to prepare the pupil for particular aspects of employment and for adult life in a

changing society;

- 3 They should have clear objectives and encourage initiative and problem-solving ability;
- 4 They should have a general and a technical/vocational element but the balance can vary;
- 5 These elements should be broadly related to potential job opportunities;
- 6 Planned work experience should be an integral part from the age of 15;
- 7 Courses should be capable of being linked effectively with subsequent training/educational opportunities, and

8 There should be regular assessment and careers counselling with all students and their parents receiving periodic written assessments.

Pilot programmes started this term in 14 local authorities - Barnsley, Bedfordshire, Birmingham, Bradford, Clwyd, Devon, Enfield, Hereford and Worcester, Hertfordshire, Leicestershire, Sandwell, Staffordshire, Wigan and Wirral.

Philip Venning visited three of them - Barnsley, Devon and Hertfordshire - to see how the fine words of the original submissions to the MSC are working out.

Making the most of a Christmas present

BARNSELEY

In Barnsley TVEI has meant that children are having to commit themselves to their future career line at the age of 13 or 14, with no special careers advice, and in most schools this year with no real choice. However, in some schools TVEI children are indistinguishable from their fellows.

Barnsley's controversial scheme has been complicated by the fact that some important features are still at the drawing board stage. The most notable postponement has been the introduction of a consortium system of linked

schools, designed to widen the choice of TVEI pupils.

As a left-wing Labour authority, Barnsley was an unlikely area to bid for a pilot (many Labour authorities are opposed to TVEI on principle), and it was certainly surprised to have been accepted. According to Mr Jerry Oddie, the education officer responsible for the scheme, secondary heads were split down the middle over whether to participate, and it was only those in favour whose schools form part of the plan.

The resulting scheme is based on four 11 to 18 schools, three 11 to 16 schools, a sixth-form college, college of art, and college of technology.

In addition to a basic course in

information technology, each pupil will be required to choose, and stick to, one of five broad occupational areas - administrative and clerical services; agriculture and horticulture; technology; services (including food preparation, and personal, community and health services); and performing arts.

With the exception of Penistone Grammar School, which is isolated in the west of the authority and will be offering two specialisms, each school will concentrate on one of the five subject areas.

A key part of the plan that was approved by the Manpower Services Commission is that two groups of three schools should be linked in consortia, sharing their TVEI pupils so that each

child would be able to choose from at least three subject areas.

However, the consortium idea has been shelved - and it faces opposition - with the result that a pupil at Kirk Balk school, for example, can only opt for technology while a pupil at Worsbrough school can only choose administrative services.

The fifth option - performing arts - is due to start as a linked course at the college of art next year, but there remain doubts about how it will fit into school timetables and about the high cost of building it will require.

In some cases the schools will simply be expanding an expertise they already possess, in others TVEI work will

Continued on opposite page

Conts page 13

Signing on the dotted line . . .

DEVON

Devon is so determined that its 14-year-olds who choose TVEI will stick with it for the four years, that it wants to introduce a "quasi-legal document" for parents and children to sign, committing them to stay the course.

Though the planners ducked the issue this year - because it is inevitably controversial - it will receive high priority next year, according to Mr Geoffrey Philpotts, the project director.

Devon's scheme is based in Exeter's five secondary schools and tertiary college. In practice Mr Philpotts expects about 75 out of 250 to drop out at 16. But he sees this as an opportunity for children from outlying schools or local independent schools to have the second two years of the TVEI course in the college. No one would be stopped from leaving for a job.

The justification for wanting a commitment from the children is that TVEI should be seen as a complete four-year curriculum package, and not simply another third or fourth-year option.

Though Gordon and Alison had rather different reasons for choosing the TVEI course at Vincent Thompson School, Exeter, neither seemed unduly worried by the fact that they had been forced to make an irrevocable decision rather young.

"I was interested because it is about business and technology and you'll be fully qualified in four years," said Gordon, who has set his sights on a career in electronics. The more practical side of the course particularly appealed. Some of the teachers and his friends not on it had been sceptical to start with, but they were now jealous of all the new equipment.

Alison said she liked the prospect of going to college. She wanted to join the Army (or perhaps become a secretary) and TVEI was a way of filling in the time until she was 17 and could apply to the Services. She especially liked the technology part of the course.

The planners are quick to point out that a child choosing TVEI is not being forced to make a career decision at an unrealistically early age: on the contrary. Highly developed careers guidance and work-tasting, and a scheme that will ensure that every TVEI pupil is made aware of a diverse range of occupations, are an important element of the plan.

More importantly, the planners emphasize that TVEI will form no more than 30 per cent of the child's timetable in the two years at school. This will rise to 70 and 80 per cent in the two college years.

For most of the time the TVEI pupils will be part of normal school life, doing core subjects such as maths and English, according to Dr Roger Mylward, an education officer and one of the architects of the scheme. He said: "We do not want an elite group of children walking round with armbands saying 'We are the TVEI kids with all the money'."

The fact that TVEI forms only 30 per cent of the curriculum has been a strong selling point to the more able pupils. "A high-flier can still do five or six O levels as well as any qualifications they get through TVEI," said Dr Mylward. "They could go on to do three straight A levels or perhaps two As and a BEC course."

Though the beginning of term has seen some minor alterations in numbers, of the pupils on TVEI in Exeter there is slight bias towards the more able, with 24 per cent of the most able 20 per cent, 62 per cent of the middle band, and 14 per cent of the bottom 20 per cent.

There is considerable variation between schools, however. St James, a school with a highly enthusiastic head has 36 per cent high-fliers, while Priory has only 6 per cent. But all the schools complained that their recruitment was strongly affected by the fact that TVEI appeared after the children had already chosen their options for this year. By coincidence the split between boys and girls is almost equal (139 boys, 136 girls).

The Devon scheme is diverse, and allows individual heads considerable autonomy in how they put into effect the agreed guidelines on what the curriculum should contain and how it should be taught.

In the first year all pupils will cover three areas of learning: technology at work; the world of business; and personal and community services. In the process they will have to undertake group assignments, a spell away from home, and visits to local employers. Throughout the scheme the accent will

be on problem-solving, rather than conventional teaching.

The scheme is actually not fully working yet. Though various new temporary classrooms have been built and huge quantities of hardware bought - ranging from computers, video-recorders and electronic typewriters to high grade sewing machines and draughting equipment - it will be some weeks before everything is in place. As a start most pupils are on an induction course, designed to teach basic skills, such as how to use libraries, how to complete personal diaries that are an essential part of the scheme, and preparing them for flexible working hours.

At Vincent Thompson school, the 48 TVEI pupils have started their first assignment - in groups of 12 they are designing and making an educational game for seven-year-olds. Over about eight weeks they will be visiting their former primary schools to research their ideas before building a prototype. The winning idea will be sent on spec to Waddingtons, the game manufacturers. The aim has been to provide a gentle introduction to project work in the community, to be used for more ambitious future tasks.

At the end of this month they will be going for two days to the Dartmoor Centre, and will complete their week's residential element near an industrial area next spring. One reason for this requirement is to permit counselling to take place under informal conditions.

TVEI pupils from St James' High School have already had a week near Plymouth, during which they were given financial and administrative control, organizing activities, deciding how much to spend on food, and doing all the cooking, cleaning, typing of letters and so on. There were also visits to local factories, and an assignment to produce a brochure on the city, suitable for a foreigner.

Within the school their first assignment was also designed to be an easy introduction to this method of working - a study of seating round the school, how it was arranged, whether it met the need, what condition it was in.

At a later stage they will be writing a booklet for middle schools on how to use computers, using the TVEI pupils to do some of the teaching.

In both schools the problem-solving approach is built firmly on the principle of fully mixed-ability groups,

though it is recognized there may be some separation in later years. "We must attain the maximum potential of each individual," said Mr Mike Cowton, head of Vincent Thompson. "But there is no question of setting or streaming. In the second year it will be much more like an Open University course where pupils can opt in at the level appropriate to them."

Leading the curriculum development within each school is a Scale 4 teacher (collectively they make up the project team, along with an extra careers officer, Mr Philpotts and his assistant, and Dr Mylward). They will have the back-up of one Scale 2 teacher in each school, plus five full-timers, available as part-timers who have still to be appointed.

An important feature will be links between schools that allow specialist equipment, placed in one school, to be used by pupils from others; and also links between schools and the college. One reason Devon believes its application was successful was that it already has a well established liaison between the institutions under the Exeter Academic Council.

According to Mr Roy Pryke, the deputy chief education officer, there are two general worries - the fact that the MSC has been slow to start evaluating the scheme (in Devon, Professor Richard Pring of Exeter university will be doing so on behalf of the authority), and the fact that the attitude of the universities and exam boards is still unknown. They were determined that TVEI should not become a polytechnic route to higher education.

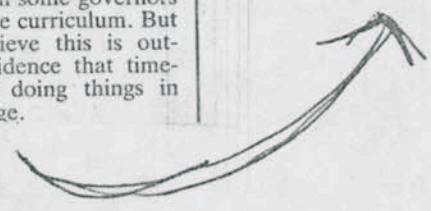
Though it is clear that enthusiasm varies among heads within the scheme there is obviously considerable interest for what TVEI has already achieved, simply in terms of stimulating new ideas.

"The important thing is not that we've got a lot of money. That was the bait," said Mr John Watson, head of St James' High School. "What matters is the liberating effect it has had on the whole curriculum."

The speed at which TVEI has been put together has created problems, with complaints about lack of consultation and doubts from some governors about their say in the curriculum. But the enthusiasts believe this is outweighed by the evidence that time-honoured ways of doing things in education can change.

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"The money has been offered and we have to prove what we can do," said Mr Pryke. "It's a style of operating that's galvanizing. Whatever happens I'm sure it will be a permanent shift - anything is possible will be the attitude across the whole system." Dr Mylward agrees, saying: "Education will never be the same again. If you compare TVEI with the 16-plus, it is a turning point."



Taking the high-tech road to your job

Page 13

HERTFORDSHIRE

Hertfordshire is determined there will be no window dressing in its project. Maths has not been renamed "numeracy skills" nor English "communications". If anything the reverse is true - they have deliberately disguised what they believe is a radical change in familiar, and hence more acceptable, clothes.

"Our scheme probably looks less radical in curricular terms than some others," said Dr Ron Wallace, the project co-ordinator. "It is adding six new options to our existing fourth and fifth-year options scheme, with consequential changes for the 16 to 18 curriculum. Its purpose is to increase the technological content of the curriculum but to keep it within a balanced general education, and more particularly to ensure the full cross-section of ability is covered including the ablest."

The scheme is based in all 10 secondary schools in Stevenage, one of the first London new towns, with a high proportion of high technology industries, such as British Aerospace and ICL.

Not surprisingly, perhaps, the Stevenage project is entirely technology-based. Pupils have to choose three TVEI options from three pairs of subjects: computer studies, or engineering design and craft; modular technology, or electrical, electronic instrumentation; and information technology with industrial studies, or information technology with office practice.

One advantage of being a fairly limited scheme is that it has made it easier to establish quickly (though one key feature - two specially equipped technology buses which will tour the schools - will not be ready until half term).

"By concentrating on one area we are making it impossible for schools to drag their feet and say they don't want two computer rooms," said Dr Wallace. Because all schools are involved, there was no question of high or low status attached to TVEI schools. This was important in an age of parental choice.

Inevitably, some schools were further advanced with their teaching of technology and computer studies than others. Perhaps the biggest changes have been in the two girls' schools in the scheme.

Stevenage Girls' School, for example, has used TVEI money to equip two spare rooms for technology, and engineering design and craft, and electrical and electronic instrumentation courses. This equipment can now be used by all the girls in the school and "in that way TVEI has brought equality overnight."

Of the 305 pupils on TVEI this term (slightly more than the official target of 270), there is a good distribution of abilities, with a slight bias towards the more able in some schools. But there are only 122 girls. While the planners

admit this is not satisfactory, they do see it as a considerable advance on the previous position when relatively few girls were doing technology.

Within Hertfordshire as a whole there is a tradition that even the bottom 40 per cent are entered for public exams, so that all the TVEI courses will be aimed at CSE or O levels (with the exception of office skills which will lead to RSA exams). Though special education pupils are not catered for at the moment, talks are in progress about how to include them.

One factor that Hertfordshire believes is in its favour is that the project co-ordinator, Dr Wallace, was until recently head of a Stevenage secondary school, and consequently knows the schools well (unlike his counterparts in Devon and Barnsley, for example, who both have a background in further education).

In the short term, mainly as a means of getting the scheme into quick operation, the scheme will be using both peripatetic teachers and equipment.

Pupils are being taught in their own schools for the first two years, to some extent by existing staff, but mainly by a team of six specialists who will visit each school in two (and perhaps three) buses equipped as a computer network unit, an electronic office unit, and a technology unit.

As the buses are not yet ready the pupils travel to a disused primary school where some of the hardware has been installed.

It does mean that the touring experts have to teach the same lesson repeatedly but those involved claim that pupils from each school are so different that this is not a problem. They are also expected to spend time developing course materials.

The longer-term aim is to build up the amount of equipment in each school and the expertise of the normal staff to the point where the buses are no longer needed.

"I want the special nature of TVEI imposed from outside with specialist teaching coming to schools to disappear as soon as possible. Once it is established in the schools I'm sure it will survive," Dr Wallace said.

The aim is to give in-service training to as many staff as possible, partly in the subject matter (existing craft teachers need to know how to work the numerically-controlled machines that are being installed), and partly in new techniques of guidance and assessment.

The project is also encouraging involvement by local industry, and two firms ITT and British Aerospace have offered the help of five staff, two of them to spend some time on syllabus development. Employers will also be represented along with teachers and local authority representatives, on the board that will oversee the project.

As in all TVEI schemes the Stevenage project entails an element of work experience, with a requirement of one week in term time and one in the holidays in the first year. This amount will rise steadily in later years of the

course.

Emphasis is also being put on improved careers advice. One extra teacher has already been appointed, and more may be as the scheme progresses.

At Heathcote School, which is offering modular technology and information technology with industrial studies, TVEI has largely extended what they were already doing, according to Mr Kenneth Walsh, the head. They already had a technology centre and

this week opened a new computer centre, designed for community use.

In a beginner's class, for example, 14-year-old boys and girls were sorting through a box of transistors donated by industry testing for those that worked, while another group was studying the behaviour of capacitors.

At the back of the classroom there was a large box of new items bought with TVEI money, ranging from oscilloscopes to soldering irons, and from electric motors to switches.

One result of TVEI was that the school was having a complete review of all technical and vocational education from the first year onwards. Mr Walsh said that its presence had stimulated his staff into fresh thinking. There had been some resentment from staff in non-TVEI subjects, but he had pointed out that the funding meant that there would be more capitation money released for non-technical subjects.

The most immediate priority is to

flesh out the proposals for the curriculum after 16. Two years ago the Stevenage schools formed three consortia to help rationalize their post-16 teaching. These will form the basis for TVEI within schools, backed up by links with Stevenage College, particularly over BTEC courses. But TVEI will definitely remain school-based for the full four years (all schools are 11 to 18).

Throughout the emphasis will be on employability. Though unemployment in the town is considerable, heads are confident that TVEI will be a strong recommendation. "TVEI courses will not provide job-training in a narrow sense," Mr Walsh told his parents in an explanatory booklet. "They will provide a range of skills and experiences which have been chosen to fit in with the country's known manpower needs. They are related to job vacancies which are known to exist locally and which are forecast to exist both locally and nationally for many years."

The study did not find that any factor explained inter-authority differences in participation in part-time study or full-time non-advanced study outside schools.

The more southerly the region, the more young people tend to take part in full-time education, the study shows, although the south-west was close to the national average (24 per cent). Other exceptions were the north-west, where participation was higher than in other northern regions, and East Anglia, where it was lower than in other nearby regions.

Participation in part-time courses followed the reverse pattern: higher in northerly regions (around 15 per cent) than in the south (10 per cent) although the figure for the suburban south-east was higher, at 12½ per cent.

The figures cover participation only in state education, so affluent authorities like Richmond in Greater London and Trafford in Greater Manchester may appear to have low participation rates because parents pay for private education, the statisticians explain.

Comparing their results with earlier findings summarized in a bulletin in 1979, the statisticians say the effect of the socio-economic factor remained roughly consistent over the five-year period 1976 to 1981.

Unlike the last study, this bulletin includes an analysis of the 16-year-olds as well as the 16 to 19-year-olds. This found that class and the ethnic minority factor appeared to make less difference at the age of 16, accounting for 10 per cent less of the variation between local education authorities. For example, in 1980-81, socio-economic class explained 62 per cent of the difference between l.e.a.s. in the proportion of 16-year-olds taking GCE or CSE exams and this rose to 67 per cent if combined with the ethnic minority factor.

Participation in Education by the 16 to 19 Age Group and its Association with the Socio-Economic Characteristics of an Area, Statistical Bulletin 12/83, available from the Statistics Branch, DES, Elizabeth House, York Road, London SE1 7PH.

East Midlands					
Derbyshire	31.7	5.12	13.5	13.9	14.3
Leicestershire	36.5	13.08	17.2	17.3	18.0
Lincolnshire	35.8	2.97	14.6	15.4	16.5
Northamptonshire	32.6	5.59	14.7	14.3	15.1
Nottinghamshire	32.9	6.23	14.1	13.9	13.8
West Midlands					
Hereford & Worcester	40.3	3.17	15.6	15.9	16.7
Salop	35.5	4.14	16.8	17.2	17.5
Staffordshire	32.5	2.34	13.3	13.8	14.9
Warwickshire	38.8	7.17	16.6	16.3	18.2
Birmingham	32.6	22.75	17.0	16.7	17.0
Coventry	30.5	15.01	14.7	14.7	14.1
Dudley	33.0	5.86	14.0	14.8	15.4
Sandwell	22.4	17.77	11.6	12.1	12.4
Solihull	43.1	4.11	17.9	19.5	18.9
Walsall	30.4	10.53	14.8	14.1	14.3
Wolverhampton	30.9	25.70	17.8	18.3	17.9
East Anglia					
Cambridgeshire	40.6	7.24	16.1	15.4	16.5
Norfolk	36.4	2.94	13.3	14.3	15.0
Suffolk	36.9	6.90	12.0	12.5	12.7
Greater London					
ILEA	44.1	29.29	16.7	15.8	15.9
Barking	26.4	6.98	10.5	10.2	10.8
Barnet	61.9	21.45	27.8	27.8	29.4
Bexley	49.3	6.01	22.0	21.7	22.0
Brent	45.3	46.33	28.7	25.3	26.2
Bromley	63.8	7.64	25.7	25.5	24.6
Croydon	61.4	17.54	21.8	22.8	23.0
Ealing	47.1	39.00	21.9	22.1	21.6
Enfield	46.6	15.95	21.7	21.3	21.6
Haringey	43.0	41.81	22.4	19.9	20.2
Harrow	61.3	19.40	24.8	24.4	26.3
Havering	45.9	3.60	17.3	17.6	18.4
Hillingdon	49.6	10.95	19.5	19.4	18.8
Hounslow	47.0	23.12	22.2	20.8	21.1
Kingston upon Thames	69.5	7.88	24.2	23.5	24.6
Merton	51.8	20.43	22.4	24.0	23.5
Newham	26.5	34.55	15.4	15.5	16.1
Redbridge	54.3	13.83	22.5	21.5	22.1
Richmond upon Thames	63.3	11.84	23.3	21.3	18.5
Sutton	57.3	6.23	21.2	21.5	22.8
Waltham Forest	37.7	26.18	17.7	16.8	16.6
Other South-East					
Bedfordshire	38.8	11.90	15.8	18.8	17.1
Berkshire	46.9	9.06	18.8	18.9	19.6
Buckinghamshire	49.6	7.92	20.8	20.4	21.3
East Sussex	51.8	3.75	17.0	18.1	18.8
Essex	45.9	3.42	17.3	17.8	18.4
Hampshire	43.3	4.27	16.5	17.0	17.6
Hertfordshire	50.2	5.72	22.2	23.0	23.5
Isle of Wight	46.9	2.77	15.8	16.1	19.1
Kent	43.8	4.73	18.4	18.9	19.5
Oxfordshire	44.5	8.87	16.3	16.6	16.9
Surrey	59.3	5.38	22.4	22.5	23.2
West Sussex	53.9	3.70	19.1	20.3	21.4
South West					
Avon	44.5	5.03	16.0	15.7	16.7
Cornwall & Isles of Scilly	35.3	3.17	17.3	17.8	18.6
Devon	42.9	2.82	13.9	14.0	14.5
Dorset	47.6	4.18	15.6	15.5	16.8
Gloucestershire	41.7	4.19	16.5	17.1	17.7
Somerset	40.6	2.15	14.1	15.3	15.8
Wiltshire	37.8	5.51	15.4	14.6	15.2

0.10
On t. f 11-16 average cost £1400 = secondary schools
ef. £ 2.500 = FE day technical studies. Prime Minister

cc NO

PRIME MINISTER

↑
Note - annual cost per place £677 with capital cost

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

Keith suggested that you might like to have a progress report on the way that the Initiative is developing now that the individual LEA projects are under way.

First, some background facts. On 28th January I wrote to all the Directors of the LEAs in England and Wales inviting them to submit proposals under the Initiative. By the deadline of 4th March, 66 LEAs had submitted proposals. Unfortunately, we did not achieve a satisfactory regional balance (ILEA and some other politically motivated authorities did not apply). Although we were able to approve 14 projects, only four were south of Birmingham.

All projects were launched on schedule this September and nearly 4,000 students have enrolled. Over the next four years the number of students will build up to 14,000. Most of the schemes were over-subscribed.

Each project involves a number of secondary schools and colleges, organised into consortia to share equipment and staff resources. The smallest number of schools/colleges in a project is three (Bradford) and the largest 17 (Birmingham). The total number of institutions involved is 144.

During the negotiation period, we were able to make substantial cost reductions. We fund the additional cost of providing

technical and vocational courses over and above the normal cost of education. In 1983/84 prices the average annual cost to the MSC was £9.366 million; an annual cost per place of £677. This includes capital and running costs.

Within a common framework the individual projects are diverse but:

- (a) each project is a blend of technical, vocational and general education. The LEAs start from different positions in respect of curricula and resources and most are concentrating on school and college based technology and business centres. Some will be setting up new technology centres serving a network of schools. All have attempted to link the range of options available to an assessment of future occupational trends. All are incorporating significant planned work experience into the second and subsequent years of these courses. For the first time we are about to organise work experience on employers' premises as an integrated part of school life and on a national basis.

- (b) all projects will have at least four annual intakes of around 250 young people and the LEAs have been reasonably successful in ensuring that this is across the ability range. All entrants will be embarking on four year courses and encouraged to complete them. These courses will lead to a variety of qualifications, BTeC, City & Guilds and Royal Society of Arts, as well as 'O' and 'A' levels.

All Authorities will issue their students with a record of achievement on completing their studies and I would expect considerable development in this area by the end of the Initiative.

It is perhaps surprising that there have not been more problems. There was limited time for detailed planning and we are certainly breaking new ground. However, throughout the life of the Initiative we will be working with the LEAs and, in consultation with DES and HMI, monitoring the projects. We are taking steps to ensure that the lessons emerging will be promulgated throughout the education service. But some lessons have already been learned. We have learned a great deal during the first round on ways of making best use of resources and cost-effectiveness and so, I suspect, have the LEAs themselves.

We are now on a new round to extend the Initiative. I wrote recently to all Directors of LEAs outside the first round inviting them to participate in an extension of the Initiative for a five year period from next September. Every LEA who can comply with the criteria will be eligible. In order to share out resources (the second round will have a limit of £20 million) we have suggested that the annual intake be limited to 200/250 and the average annual contribution by the MSC will be in the order of £4/£500,000. This provides a lower average annual additional cost per place than the first round and we believe this could be achieved by asking LEAs to restrict the number of institutions involved in the Initiative.

My initial assessment is that this extension is being received with enthusiasm. What is less clear is how many LEAs will be able to measure up to the standards required by the criteria for we are determined not to dilute the Initiative. The LEAs will submit their proposals by 12th December and the Commission will approve the successful ones on 26th January. This will give more time for planning on the ground and all projects should be operational for the next school year.

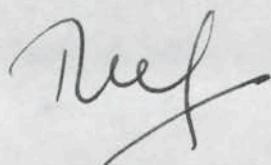
In addition to the projects mounted under the Initiative, we have, I believe, been able to make further gains. There is no doubt that there is a greater awareness for the need for technical and vocational subjects within the curricula than ever before and progress is beginning to be made on all fronts. I am in no doubt that we have established a momentum that will continue to grow.

There will be problems. We shall inevitably run into problems of teacher supply and of the need for extensive in-service training of staff. We shall need to work closely with Keith Joseph and colleagues in DES in tackling this and the related resource problems. We are considering the wider adoption of mobile technology classrooms (which are buses converted into technology workshops to bring the equipment to the schools) but there is a great shortage of pedagogical material. I hope to be able to establish a Resource Centre to aid the school system, both within TVEI and generally.

Our progress on this Initiative and the Youth Training Scheme will, I hope, be integrated into a comprehensive package for

all under 18s who have abilities outside the narrow academic field. There could be no more worthwhile foundation for the next century.

I am copying this minute to Keith Joseph and Norman Tebbit.

A handwritten signature in cursive script, appearing to read 'DIY', with a long horizontal stroke extending to the right.

DIY

14th October, 1983

PERSONAL

NTC Pt 1
(This was previously
copy)

- AT - Pt 1
" " "

Copy No 3A
of 6.. copies

AA

S E C R E T

SECRETARY OF STATE

cc Mr B Shaw)Department of
Mr Derx)Employment

Mr Young)Manpower
Mr Holland)Services
Commission

NTC

At your meeting with Mr Tebbit on 6 October, you asked me to commission three papers from the Department:-

- i. a note about the effect of Option C on the Rate Support Grant and the financial position of individual authorities.
- ii. an assessment by the Senior Chief Inspector of the current state of NAFE.
- iii. Possible options, additional to those discussed at your meeting on 6 October, designed to secure improvements in the provision of vocational NAFE but without incurring such a high risk of antagonising the local authorities and thus damaging other Government policies for the reform and improvement of the education system.

2. These papers are attached. I am sending copies with this minute to those who attended your meeting on 6 October. I understand that the Private Offices are arranging a time for another meeting next week.

D.H.

D J S HANCOCK
14 October 1983

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NTC: FINANCE

This note discusses the financial implications of the possible transfer of some part of the exchequer grants to local authorities (Aggregate Exchequer Grant (AEG)) to the NTC to fund additional training courses at the expense of equivalent local education authority expenditure on non-advanced further education (NAFE). For illustrative purposes, the amount of the transfer is assumed to be £100m. This would compare with total local authority expenditure (on all services) of £22.3bn in 1983-84, supported by Exchequer grants totalling £11.8bn. Education support grants payable by DES under proposed legislation would represent, at most £33m of that £11.8bn.

2. The sum of £100m is assumed to constitute 100% of the consequent expenditure by the NTC on training courses. It is also assumed that the courses are provided by local authority institutions but paid for by the NTC, and that the Government's intention would be that in aggregate local authorities would reduce their provision of other NAFE courses by an equivalent amount.

3. "Relevant expenditure" is the amount in the Government's public expenditure plans for expenditure by local authorities. The amount is net of fees and other income; hence the cost of the NTC-financed courses would not fall within relevant expenditure. There would however be a corresponding reduction of £100m in the total of relevant expenditure in the Government's expenditure plans, and this would notionally fall on NAFE. There will be a marginal consequential reduction in the percentage of AEG, but this would be obscured in the annual determination of this percentage (currently 52.8%). There would be no clear way of measuring an individual authority's "share" of this £100m reduction in relevant expenditure plans, since the new provision bought by the NTC would not necessarily be of the same type or in the same institutions as that which it was intended to displace. Moreover individual local authorities would not be obliged to make corresponding reductions in their own expenditure on NAFE.

4. Nevertheless, the reduction in relevant expenditure would affect the total used to calculate individual local authorities' expenditure targets (which may however be discarded after 1984-85). These relate to individual authorities' total expenditure on all services. Their precise calculation varies from year to year, but generally they are based upon budgets in the preceding year, with greater year-on-year reductions implied for higher-spending authorities. The statutory requirement to set targets by reference to general principles means that they are insensitive to changes in an individual authority's spending needs or responsibilities. (Both the AMA and the ACC have complained about this in connection with the impact of the Youth Training Scheme.) If an authority exceeds its expenditure target, it loses some of the block grant to which it would otherwise be entitled.

5. A local authority's ability to reduce its net expenditure on NAFE would be affected by various factors, including its success in attracting business from the NTC, its ability to redeploy staff and other resources and its duty to provide full-time education for all 16-19-year-olds who demand it. The alternatives would be to use its rate income to maintain its net expenditure on NAFE (and possibly exceed its expenditure target) or to make reductions in other expenditure - either some other part of education such as schools or some other service.

6. If the block grant system worked perfectly and there were no increase in gross expenditure, ratepayers in LEAs which failed to attract NTC business would find themselves paying the same rate but getting less in return - specifically, less NAFE - whereas ratepayers in other areas would get the benefit of an NTC-led expansion in NAFE in their areas at no additional cost. (This would be seen most clearly in the Inner London Education Authority, which receives at present no block grant but might well receive a share of the NTC's grant.) In practice the picture would be complicated by:-

- a) expenditure targets (see paragraph 4 above) or, possibly, from 1985-86, rate limitation;

- b) the practical and legal constraints upon rapid changes in expenditure on NAFE; and
- c) the likelihood that expenditure on other parts of the education service or on other services would be affected.

Conclusion

7. The precise effects on individual authorities of a shift of £100m from the rate support grant to the NTC cannot be predicted with any accuracy. But there is no doubt that some would gain and others lose. The losers seem likely to mitigate the effect on their FE colleges by cutting expenditure on schools.

THE STATE OF NON-ADVANCED FURTHER EDUCATION: AN HMI APPRAISAL

Curriculum, Courses, Vocational Education and Relationships with Employment

Nearly all the 500 institutions in the public sector offer some NAFE and about 400 of them also offer Advanced Further Education (AFE) ranging in proportion from a few Part-time day (PTD) and evening classes up to over 90% of the total effort in Polytechnics. This paper concerns the 400 or so "NAFE Colleges" variously called Colleges of further education, technical colleges, colleges of technology and some that are combined with sixth form provision in tertiary colleges. They also include the 65 county colleges of agriculture and about 50 relatively small schools or colleges of art.

2. The main groups of courses provided in these institutions are:
 - (a) Technical and vocational courses for mainly full-time (FT) students in the 16-19 year age range, and part time (PT) students in the 16-25 age range. Business studies, engineering, construction, applied sciences, art and design, photography and printing, food and catering, agriculture and horticulture, hairdressing, mathematics and computing are the most commonly found subjects. Some colleges are developing open learning methods, for example to serve adult and part-time students in rural areas with small, widely scattered student populations.
 - (b) Courses in FT, PT and concentrated-revision form for the main GCE O and A subjects. These are provided in a variety of different patterns to meet the needs of 16-17 year old school leavers, mature students and part time students wishing to make up entry requirements for AFE and Higher Education (HE), and in combination with vocational courses of the type described in (a) above.
 - (c) "Commissioned" work now mainly for the MSC and for various industry bodies and individual employers. This includes the "off the job" training mainly in engineering and construction for the Industrial Training Boards and the Youth Training Scheme.

- (d) Adult education, mostly in the form of evening classes, in both academic and recreational subjects. Some colleges also provide facilities for University Extra Mural Departments and for the Open University.
- (e) A large and variable quantity of short courses in an immense variety of subjects in which business studies and technology predominate. These range in length from one day to courses of five to seven individual classes.

3. The majority of these colleges have procedures for maintaining contact with employment and business interest in the areas they serve. Advisory committees reporting to the principal and governing body are commonly used, sometimes for the whole college, but more often, particularly in the larger colleges, for individual departments. In addition industrialists and employers are often members of the colleges' governing body. A typical advisory committee includes some governing board members, the principal or a vice-principal, head of department, personnel from the local offices of the Departments of Employment and Industry, and representatives of the main employers having interest in the work of the college. Most colleges also encourage their staff to visit local employers, primarily to discuss the progress of the students they send to the college, but also to discuss the design and composition of the courses they are providing. The co-ordinating and advisory arrangements vary considerably in their effectiveness and often suffer, as do most bodies involved in liaison between education and employment, from a shortage of experienced representatives from employment who are able to give clear messages about their needs as well as their time to guiding institutions towards realistic responses to their requirements. It is fair to say that all these institutions have arrangements for liaison with employment but not all are as good as the best at reading the signals or capable of acting realistically on those they do receive. In part difficulties are due to the rate at which the demand for NAFE has changed quantitatively and qualitatively over the last 7 to 10 years thus taxing the adaptability of the institutions.

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4. In contrast to the schools NAFE is a demand-driven system and the movements in its student population and demand demonstrate the influence of a large number of powerful external factors. Over the last 10 years the character of NAFE has changed considerably. Broadly the volume of work in the FT course area has increased by figures ranging from 50% to 200% but that in the part time area for the 16-18 year old company sponsored entrant, has fallen to about 30% of the 1965-70 level. This follows closely the trend in the last 10 years for the better qualified to remain in full time education up to 18 to 19 years of age and then to take jobs, or to enter HE. There are many statistics to illustrate these changes but three particularly demonstrate some of the salient features:

- (a) The Age Participation Rate (APR) of traditional 16 plus FE entrants has remained about the same for 20 years but the students have moved from being company sponsored trainees on PT courses to being students of FT courses; employers are less involved in training with the result that more has fallen to the colleges to provide.
- (b) There have been marked changes in the number of students on particular courses, for example the proportion of total students following engineering and construction courses in 1965-70 was over 70% but is now something less than 40%.
- (c) While Part Time NAFE is currently at something around 30% of its 1965-70 level, PT AFE contains a large body of 18 plus students (40 to 50%). Many of these have GCE O and A levels and Ordinary diploma qualifications some of which were gained as NAFE students. This suggests that this traditional group of NAFE students has moved to the 18 to 19 year range in AFE and tends to move into employment from that stage bringing in consequence some fundamental changes to the nature of NAFE. In the view of HMI this move should not be inhibited as it provides a sound academic and vocational education that prepares people well for in-company training and further part-time education which most continue while in employment.

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5. In addition to these changes NAFE has become increasingly engaged in making provision for a new kind of student who in earlier times entered relatively unskilled employment at about 16 years of age. These are generally without any formal qualifications, have no clear academic or vocational aims and are appearing in large numbers in NAFE either in special courses designed for them, (eg the Foundation Courses of City and Guilds of London Institute (CGLI) or the Certificate of Pre-Vocational Education - 17+ - (CPVE) to come) or in the MSC sponsored YTS programme, or in the more conventional and longer established parts of NAFE where their ability to progress can cause difficulties.

6. Faced with these conditions NAFE is trying to be efficient, while it is at the same time being called upon to adapt to major changes. A general difficulty for many institutions is that of matching dispositions of teaching staff to changes in course structure and modes of study. The main features of changes in demand can be summarised as follows:

- (a) A substantial increase in the demand for, and use of, O and A level both as free standing courses and in combination with vocational studies, eg business studies. The presence of increasing numbers of students whose employment aims are not fully clear at 16-18 years causes both institutions and students to aim for the broadly generic rather than the specifically vocational.
- (b) Specifically functional vocational programmes continue to thrive in those subject areas where there remains clear and reliable evidence of employment opportunities. Business studies, agriculture and horticulture, hair dressing, hotel and catering studies are examples where excellent courses with large requirements are operating satisfactorily. The manpower supplies for these industries come primarily from this full time, or occasionally sandwich course provision.
- (c) The subject departments coming worst out of these changes are engineering and construction. These departments have by long

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tradition provided for the 16 to 17 year old part time industry sponsored trainee or apprentice. They have been operating in conditions of depressed and varying intake for some time and were it not for the apprenticeship places sponsored by the ITB's many would have had difficulty in obtaining sufficient recruitment to keep going. Some engineering and construction departments have been slow to adapt to the changes in the student population but many are anxious to do what they can, but are puzzled as to what that might be when the employers are uncertain about the future of their industries and their training needs. Some colleges are attempting to mount full time technical Ordinary Diploma courses but these face difficulties in recruitment as many students and their parents prefer the more versatile properties of GCE O and A level courses.

- (d) Constraints upon expenditure have already increased productivity. The ratio of staff to students (SSR) has been tightened by 4% from 1980-81 to 1982-83.

7. In the active subject areas (para 6(b)) such as business studies agriculture and catering, standards of provision, of instruction and relationships with employment are generally good and in a fair number of cases are excellent. NAFE has now acquired a large and well qualified teaching force in the O and A level and related academic subjects. In some academic subjects such as science, business studies and computing and mathematics the concentration and level of provision in some colleges is very good. Some of the older established areas of NAFE such as engineering and construction are in the doldrums and need considerable updating of staff, technical provision and more concentration if they are to be in a better position to respond to modern conditions in the industries. Colleges with a demand for and capacity in electronics and electro-mechanical engineering continue to fare reasonably well but historically these were always academically a cut above and fewer in number than the widely dispersed mechanical craft and production colleges. Standards in electronics generally and micro-electronics and computing appear to be higher in larger colleges where concentrations of resources and links with AFE

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are possible. This is an area that calls out for across the board management if wasteful dispersal of effort is to be avoided.

8. In general NAFE institutions have adapted remarkably well to the considerable changes in the structure of the student population in the last 10 years. However, as patterns of employment and training have changed much NAFE has inevitably become divorced from its direct link with a first employer and in an effort to provide more flexibility it has become more general and pre-vocational. This is not to say that much of NAFE is out of touch with employment nor that it has declined in its "responsiveness". It may be that what has happened in NAFE is that colleges have managed to sense that much training must now be generic rather than specific. This is reflected in courses that aim to bring together formal academic qualifications, vocational training and company based occupations, for example those being planned within the Technical & Vocational Education Initiative (TVEI) which is to be provided in part by NAFE.

9. The demand driven nature of NAFE produces conditions where variable cost effectiveness of institutions or parts of institutions is fairly probable. Such a situation requires skilled and determined management if these are to be kept within tolerable limits. LEA's have not, by and large, managed NAFE tightly. They have practised devolved management and experienced its advantages and disadvantages. The best institutions are effectively managed while others are not, but, within NAFE there are sufficient examples of good practice to build upon in seeking to reform and improve the system.

10. To sum up, there is much in NAFE that is successful in itself and in the service that it provides for employers. There are courses that have lost their way, only in part because of failings in the colleges. There are also courses that call upon colleges to reappraise provision in the light of quite clear changes in the world of work and the examples of the best run colleges and courses indicate how much the quality of what is provided can be improved through effective and determined management.

11. It is difficult to see how the imposition of a new intermediary could improve on the direct links between colleges and employers in the most

SECRET

actively successful courses such as agriculture and catering. It might well be the case that such a body would reduce efficiency by introducing an additional and unnecessary stage between employers and course providers.

12. In areas such as engineering and construction NAFE would benefit from updating and re-equipping but, in the main, is in desperate need of clearer messages from the industries themselves about future developments and training needs. In basic-level business studies a programme of re-equipment is needed, linked with staff training that includes among the trainers people from industry.

13. NAFE is a highly autonomous system which up to now has had the capacity to buy adaptation and change, but it is costly to run. External action intended to generate increased efficiency and discourage unnecessary duplication and fragmentation would be most effective if it:

- (a) commissioned those developments which are unlikely to arise spontaneously from the system; and
- (b) set out to encourage NAFE generally to build on the good practice of those courses that successfully combine academic studies, vocational training, in-company training and work experience.

S E C R E T

NTC

DES OPTIONS

Note by the Department of Education and Science

1. The Secretaries of State for Education and Science and for Employment are agreed that the existing arrangements for the provision of training and vocational education are defective and wish to consider possible ways of improving the performance of FE colleges by changing the system of financing.
2. The schemes considered by Ministers at their meeting on 6 October - "Options A, B and C" in the official Report - were intended:
 - i. to increase the responsiveness of the FE colleges to the genuine needs of employers in a rapidly changing competitive environment; and
 - ii. to increase value for money in the provision of technical training by the FE colleges.
3. The Secretary of State for Education and Science expressed the concern that Option B & C would antagonise the local authorities and cause them to withhold their cooperation from the Government. This would not only be an obstacle in the way of achieving the objectives of the NTC, but it would also jeopardise the Secretary of State for Education and Science's other educational objectives and especially that of raising the standards of education in schools.
4. At his request, DES officials have accordingly examined

S E C R E T

the scope for other options intended to reduce the risk of provoking the local education authorities while securing the objectives in paragraph 2 above. They are discussed in order below as follows:-

- i. Option D - this is a DES variant of Option C - the NTC would receive, in addition to any money taken over from the MSC, an extra subvention from DES Votes intended to be spent on the improvement of NAFE. This money would be taken from RSG.
- ii Option E - this would leave the machinery of government unchanged and would not involve the MSC or the NTC at all, except as a source of advice to the Department of Education and Science. The DES would take a power to give grants (within the total of RSG) direct to LEAs to improve NAFE.
- iii. Option F - this would include the transfer of responsibility for training policy from the Department of Employment to the DES resulting in the creation of a Department of Education, Training and Science. The NTC would be created as in Options A, to C, but it would report exclusively to the Secretary of State for Education and Science. In other respects the scheme would be similar to Option D.
- iv. Option G - would bring about the greatest integration between the training and education systems. It would involve the creation of a Department of Education, Training and Science as with Option F: the training organisation of the MSC would be abolished,

S E C R E T

the Skill Centres privatised and the YTS would be administered by the local authorities. The DES would acquire leverage.

Option D

5. This is a DES variant of Option C. The NTC would be created and would be responsible chiefly to the Secretary of State for Employment. A certain amount of money would be transferred from the Rate Support Grant to a DES Vote and this would be paid to the NTC for the purpose of improving vocational NAFE. The DES would establish with the NTC the proper disposition of the money provided from DES votes and the NTC would be subject to DES requirements concerning reporting and assessment of the use made of the money. In all other respects (and notably the administration of the YTS) the NTC would be responsible to the Secretary of State for Employment and the funds would come from the Department of Employment Vote.

6. The composition of the Commission would need to reflect this greater educational influence. The individual appointments determined by the Secretary of State for Education and Science would be greater than might be implied by paragraph 5.10 of the 23 September paper, and the composition might be more on the lines of paragraph 5.9.

7. This Option would go some way to reducing the risk of a failure of cooperation by the local authorities. This is a vital point because the Government wishes to see an improvement in the efficiency and responsiveness of the entire NAFE system and not just parts of it. The DES would acquire some much needed leverage to effect improvements in the functioning of the colleges and their maintaining authorities.

8. On the other hand the joint funding arrangements would in time be likely to create considerable managerial problems for the NTC. Furthermore, Option D, like Options B and C, relies on the efficacy of the placing of contracts by a customer standing as proxy for employers. The FE colleges already act to a considerable degree on direct contracts placed by employers; the extra incentive to efficiency and responsiveness following from NTC contract money might not be very great..

9. Against these arguable advantages must be set the likely reaction of LEAs. Although they are likely to be less hostile to Option D than to Options B and C because of the direct involvement of the Secretary of State for Education and Science, they would still regard the scheme as the removal of some of their authority by central government and the placing of funds to which they are "entitled" in the hands of an organisation for whose general competence they do not have a high regard.

Option E

10. This Option would not involve any change in the machinery of government, but it would place responsibility for the new action to improve the responsiveness and efficiency of NAFE entirely in the hands of the DES. The MSC or NTC would be involved as a source of advice to the DES. The DES would take a power to give grants direct to the LEAs for one specific purpose: namely the improvement of vocational and pre-vocational NAFE. It would not be intended that the grants would be in respect of the schools, higher education and courses provided within NAFE of the type provided in schools or which fall within the title "adult liberal education". The justification for this distinction would be the Government's special responsibility to improve training and vocational skills for the sake

of the performance of the national economy.

11. The new grant making power would be similar in some respects to the proposed education support grants. But the legislation would need to be quite separate from and additional to the Bill creating education support grants, which are intended to be small in scale, to provide only temporary support for any one activity and to be used for the improvement of education generally.

12. The DES would need to create new arrangements for taking advice on training needs from all reputable sources including the MSC or the NTC. The precise manner in which the new direct grants would be devised would have to be worked out as a result of that process of consultation. It would be advisable for the Government to postpone any decision on the total amount of the grants until after those consultations were complete. The information at present available to Ministers does not permit them to take an informed judgement about how extensive the grant making power would validly need to be.

13. This Option has the advantage (by comparison with Options already discussed and Option F below) that it does not rely on the shaky arguments for an extension of the proxy customer principle - see paragraph 8 above. The use of the powers could be directed to the improvement of the NAFE system as a whole. The total amount of the grant in any year could be matched to the cost of the NAFE courses directly concerned; while the conditions attached to the allocation of grants to individual authorities could be used to influence the quality and cost-effectiveness of other related courses in the same institution. This is a task which could only be performed by the Department

of Education and Science.

14. Like Options A-D, this Option rests on the belief that the efficiency of NAFE depends on greater intervention from the centre. This Option would certainly not avoid objections from the local authorities entirely. They have already opposed the creation of education support grants and could be expected to object to this further extension of central government power and control of money. But the Option has a greater chance of securing local authority cooperation than Option C or Option D.

Option F

15. This Option, like Option G discussed below, involves a major change in the machinery of government: namely the transfer of responsibility for training from the Department of Employment to the DES and the creation of a Department of Education, Training and Science (DETS). There are powerful arguments for bringing responsibility for the whole of education and publicly funded training together. It is not feasible to transfer the whole of education responsibilities to the Department of Employment; but the reverse transfer is conceivable. The new Department would be able to evolve policies for the coordinated and rational development of training and education in a fast moving environment where the overlap between the two is becoming increasingly anomalous. In other respects Option E would be similar to Option C. The NTC would be created. It would be funded exclusively from the new Department of Education, Training and Science. The NTC would continue to administer the YTS etc. It would in addition receive some monies transferred from the Rate Support Grant for the purposes of increasing the responsiveness and effectiveness of NAFE. The points made in paragraphs 8 and 9 thus apply to this Option too.

Option G

16. Like Option F this involves the creation of a Department of Education, Training and Science (DETS). But it would go further. The bureaucracy associated with the training responsibilities of the MSC would not be transferred to a new Commission but abolished. Some staff would be transferred to the new DETS in order to give it a very slim regional organisation - but nothing on the scale of the present MSC. The Skill Centres would be privatised. The DETS would administer the YTS through the local authorities. A new body advisory to the DETS on training matters might be established. The new Department would be given the same type of grant making power as specified in Option E.

17. This Option would give the greatest scope for the integration of policies for education and training and also a considerable saving in the State controlled bureaucracy. The abolition of the MSC's training role would be widely welcomed by local authorities and the new scheme would appear to stand a reasonable chance of securing their full cooperation.

Conclusions

18. The first point for Ministers to consider at their next meeting is whether they are prepared to contemplate the major change in the machinery of government required for the creation of a Department of Education, Training and Science - Options F and G above.

19. If so the choice between Options F and G turns on the importance attached to the principle of a "proxy customer".

The arguments are summarised in paragraph 8 above.

20. If the creation of a DETS is not envisaged, Ministers will wish to consider the case for Options D and E. Again the value placed upon the "proxy customer" principle needs to be assessed alongside the advantage of giving the Education Secretary additional direct leverage to influence NAFE to greater efficiency.

DES

14 October 1983



NBPM

res 4/7

[Handwritten mark]

Caxton House Tenthill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

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The Rt Hon George Younger MP
Secretary of State
Scottish Office
Dover House
LONDON
SW1

1 July 1983

D. George.

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

Thank you for your letter of 29 June about Scottish participation in the extension of this Initiative.

I am glad to know the basis on which you will be going ahead with the proposed consultation of local authorities in Scotland and that you will keep me informed. I quite accept that you wish first to await the outcome of fuller discussion of the details with the MSC. As I said in earlier correspondence, my main concern is that MSC funds should be used to achieve specific targets under the Initiative and not to support existing education programmes which are the responsibility of Education Ministers. So it is important that Scotland's participation in the extension now proposed does represent genuine new development.

I very much hope that the MSC will feel able to come forward with specific proposals for the extension after their meeting on 28 July so that we may come to an early decision and announcement. It will be helpful if you have that in mind in the timing of your own consultations.

I am sending a copy of this letter to the Prime Minister and other members of E(A).

[Handwritten signature]
Norman



MB PM

MM 30/6

~~cc. NO.~~

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Norman Tebbit MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON
SW1N 9NA

29 June 1983

Dear Secretary of State.

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

with
MSC

(A) this morning agreed to Scottish participation in the extension of TVEI on an appropriate basis; and you will be announcing on Thursday the way in which MSC have been asked to proceed and the start of consultations with the local authorities. Before we proceed with consultations in Scotland we will need to settle the details of how MSC involvement fits in with the different educational arrangements and developments here in Scotland.

I have already indicated in my announcements on the Action Plan for 16-18s in January and on implementation of the reforms for education of 14-16s in April that we are taking new measures to improve technical and vocational education in these initiatives. In Scotland the appropriate role for MSC will be to support additional effort and trials of courses by education authorities which will form part of our national development programmes. Selective piloting leading to full national introduction of courses is a major advantage of our 14-16 programme and this approach is to enable us to introduce some new course syllabuses. Additional effort is needed to bring further subjects into the later phases of the development programme and MSC support will greatly help. I do not propose to make any announcement or initiate consultations with the Convention of Scottish Local Authorities until my officials have discussed the details more fully with MSC. Authorities in Scotland will be more likely to put forward proposals in TVEI if it is seen to emphasise technical and vocational requirements within our now established educational development programmes.

In any briefing for the press my officials will indicate that the Government is committed to improving technical and vocational education in Scotland and that any proposals will reflect the differences in educational arrangements and developments here. I will let you know, in the light of our discussions with MSC, the terms and timing of our consultations with the Convention of Scottish Local Authorities. I will also want to indicate how we will be involving employers in our development of technical and vocational education.

I am sending a copy of this letter to the Prime Minister and other members of E(A).

20 JUN 1963

Yours sincerely

J. Stewart (Miss)

Approved by the Secretary of State
and signed in his absence

Education: Proposals to establish
Training Colleges 10/82

30 JUN 1983





NBPM

msw/s

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP
 Secretary of State
 Department of Employment
 Caxton House
 Tothill Street
 London SW1H 9NA

19 May 1983

R. Norman

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

Thank you for your letter of 11 May, and for the consideration you have given to the points I raised in my letter of 28 April. I think we now have a much clearer idea of the expenditure implications of the proposed extension; but there are still a number of unresolved issues, and the announcement of the Election gives us rather more time to sort them out than your original timetable envisaged.

My main concern is to ensure that a desirable and far-reaching initiative is launched in a way which is predictable in terms of cost, and which does not put undue pressure on other important programmes. As regards cost, the main uncertainties are the likely number of acceptable projects, and the definition of the grant. I do not believe it would be prudent to go ahead simply on the basis of a best guess as to the number of projects, and with no more than an intention (which might not hold) that there should be no uprating of the grant. Pilot schemes by their very nature ought not to be open-ended. I think we must therefore limit the extension to a specified number of projects and operate on a first come first served basis. At the same time I think it should be made clear that the grant of £500,000 a year would in no circumstances be uprated. Individual LEAs would then be able to frame their proposals in the knowledge that they could get no more than £2½ million over the 5 year period. This should serve not only to increase the cost-effectiveness of bids; but also perhaps to preclude the need for a more explicit system of rationing. And of course, to the extent that some local authorities get less than the maximum grant there could be some room within the Scheme's cash limit to accommodate more projects.

Turning to the savings which the MSC are looking for, these are highly dependant on the expected shift in the balance of YTS places, and on the commitment of employers to the scheme, about both of which there must be room for doubt so far in advance of the event.

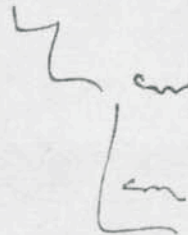
I am apprehensive about the prospect of financing TVEI from savings on this and other schemes such as adult training where savings have still to be realised. This does not seem entirely satisfactory and if I agree to the extension of TVEI on the basis now proposed it must be on the explicit understanding that you and the MSC will not make bids to increase provision for the YTS for example, to extend it to cover all unemployed 17 year old school leavers. If this is acceptable to you I would be content for the extension to go ahead.

The same uncertainty applies to the savings envisaged on adult training. I can agree to the proposed extension of TVEI only on the clear understanding that you and the MSC will not make bids to increase current provisions, for example, in the light of consultations on the Commission's recent document.

As to the longer term implications of the initiative, there is obviously a case for transferring responsibility to the education programme at the end of the 5 year pilot stage. And I understand your letter to say that you would be willing to make a PES transfer to DES at that time. Keith Joseph will no doubt welcome this but there is clearly a danger that such a transfer would not meet the long term costs in full, and that offsetting savings would have to be made elsewhere in the education programme. Furthermore, even if funding were not to exceed pilot levels in the longer term, this would still be equivalent to a large proportion of the proposed statutory ceiling on the level of education specific grants. I know Keith Joseph will want to consider these matters very carefully.

Finally, in respect of the new factor relating to Scotland, I doubt whether there is any justification for MSC funding if the Schemes are to be part of the Munn and Dunning programme, but, in the light of George Younger's letter of 16 May I agree that this should be considered further by officials.

I am copying this letter to the Prime Minister, Keith Joseph, Nicholas Edwards and George Younger, and to Sir Robert Armstrong.



LEON BRITTAN

11 9 MAY 1983





NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Rt Hon Leon Brittan QC
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1

16 May 1983

MBRM
ms 17/5

Dear Leon,

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

Norman Tebbit copied to me his letter of 11 May about the proposed extension of the technical and vocational education initiative in England and Wales.

I agree that further action on his proposal should be left until after the election. Meantime, however, I think it necessary to register my position as regards Scotland in a little more detail.

When TVEI was announced last November, we indicated support for the aims of improving technical and vocational education but indicated that different arrangements would be required in Scotland in view of the then impending announcements on our reform of school education for 14-16 year olds and the wider Action Plan for 16-18s. I made it plain in our exchanges at the time that I would expect any savings in MSC expenditure which were generated or arose in Scotland not to be allocated to pilot projects in England and Wales. In our subsequent announcements on the Action Plan in January and the 14-16 "Munn and Dunning" reforms in April, we underlined the priority of improving technical and vocational education but made no specific proposals or provision for it.

I should explain that our implementation programmes provide a framework for developing new courses but do not prescribe the form each course should take in schools or provide the staff, materials and support necessary for developing courses across the whole curriculum. If education authorities are to try out and develop courses in technical and vocational education at an earlier stage and more widely to the benefit of more pupils than would otherwise be possible, extra support and provision will be needed in Scotland every bit as much as it is in England and Wales. There is an important distinction in that pilot courses in Scotland could be developed within the framework of national development programmes and lead more quickly and directly to nationally recognised courses and qualifications. Some vocational elements are already included in our development programmes. My point is that if the policy set out in New Training Initiatives for technical and vocational education is to be achieved in Scotland, the range and scale of development needs to be considerably increased.

I suggest that officials should discuss the extent to which a TVEI scheme for Scotland can be devised and financed by equivalent savings which are generated or arise in MSC expenditure here. If suitable guidelines for a scheme in Scotland can be drawn up, we can make decisions on whether to proceed and when and how to involve education authorities after the election. My aim would be to ensure that an announcement about our intentions for Scotland can be made at the same time as any extension for England and Wales.

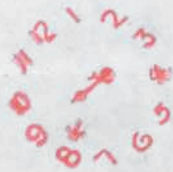
I am copying this letter to the Prime Minister, Norman Tebbit, Keith Joseph, Nicholas Edwards and to Sir Robert Armstrong.

Yours truly,

Cumy

Education Oct 8
Training Colleges

14 JUN 1983



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B/F

Education
NBPM unit
the CST
replies.
MS 1/5
OK NO



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Telephone Direct Line 01-213.....6400.....

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The Rt Hon. Leon Brittan QC MP
Chief Secretary
Treasury
Great George Street
LONDON SW1

11 May 1983

R Leon,

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

As expected, there was an all-round expression of opinion at the MSC meeting on 28 April in favour of exploiting the response to this initiative so far and David Young was asked to put a paper to the Commission on the possibilities of extension. However, in the light of our conversation and your reply of 27 April, David held back from proceeding as we had earlier proposed so as to give time for the further examination of the expenditure implications that you requested. Officials of the Departments concerned have since conducted this examination and I am now in a position to answer the points you raised.

First, there is the question of how many of the 90 eligible local authorities in England and Wales would submit acceptable bids. There seems little doubt that the great majority of authorities would wish to participate in a wider scheme. One or two authorities, notably the ILEA, would probably decline to bid on political grounds and some others may regard the support offered inadequate or fail to produce proposals which meet the criteria. Officials think that the range of authorities which might in due course succeed is from 45 to 80, but that 60 is the most likely number. I do not think any alternative figure is more likely to be right and the costings have been worked out on that basis.

Secondly, you ask about the proposed annual ceiling of £500,000 on support for individual projects. Its purpose is not to ration the number of bids but to limit total costs while providing a substantial inducement to local education authorities to participate. Some authorities will get less than the ceiling; and although we want schemes of 1,000 pupils

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over the whole 14-18 range, we should certainly reduce the grant proportionately if any smaller schemes were accepted.

I take your point that any up-rating of the grant in later years would increase the cost. The intention is that the MSC should open discussions with authorities on the basis that the figure of £500,000 would be fixed over the 5 year period. If it was necessary to give ground on this - and the MSC are committed to discuss annually the possible uprating of support for the 14 schemes which have so far been selected - we would not consider up-rating from earlier than 1985-86. On the basis of the PES uprating factor of 4 per cent for 1985-86 and 3 per cent for the next year and (let us assume) thereafter, this would add about £10 million throughout the period.

Thirdly, you referred to uncertainties about the margin of TVEI resources now available and the extent of flowbacks in respect of 16 year olds who might otherwise have gone on to YTS. Recent MSC discussions with the selected 14 authorities have slightly altered the cost estimates (line b in the attached revised table) but they are now reasonably soundly based. There are always uncertainties in calculating savings from flowbacks, but there are bound to be some flowbacks and the assumptions made are modest.

I am entirely with you in what you say in the sixth paragraph of your letter. I have made clear to David Young that this extension can be contemplated only if its cost, like that of the 14 schemes, is met from existing MSC resources. How these costs would be met has been discussed in detail by officials and the MSC have identified the specific programmes from which the money would come. As far as the 14 current projects are concerned, the financial programme for YTS has already been adjusted in order to provide the funds. The costs of the further 60 schemes would be met from three existing programmes. The requirements in line c of the attached table would be met partly from changes in the general employment service, including further economies from the Rayner scrutiny. Some £5m in 1984/85 and rather more in subsequent years would come from that quarter. The balance would be found from the adult training budget, where changes would be made after the current consultations about an adult training strategy.

The remainder of the funds (line f of the table) would be found by replacing 10% of the Mode B places in the YTS with cheaper Mode A places which are expected to be available in sufficient numbers to permit this change. These would amount to £14m a year throughout the period and would more than cover the cost of extending the Scheme in two of the later years, and afford a margin against uprating or the possibility of the Initiative being extended to more than 60 schemes. There are



one or two years in which, on the costings shown, the identified savings will not be quite adequate and in this case MSC will need to make further marginal economies.

I believe that the proposals for financing development of the TVEI are now as soundly based as possible. I accept - and so does David Young - that, if savings are made by re-ordering priorities within MSC's total budget, this will to a degree pre-empt resources that might have been used for other purposes.

There is a new factor relating to Scotland. When the TVEI was launched last November George Younger decided that it would not be appropriate for Scottish local education authorities to bid for support because of other recent developments in Scotland, including the 16-19 Action Plan and changes proposed in the curriculum and examinations for 14-16 year olds. He is now considering whether education authorities in Scotland might set up suitable local schemes, in conjunction with MSC and SED, to try out and develop new technical and vocational courses intended for full national introduction later in the 1980s. Schemes would be within the framework of the current Munn and Dunning programmes in Scotland and it would not be practicable for them to meet the established TVEI criteria in full. No firm costings are available, but I understand it is being proposed that savings should be found from within the MSC's existing budget for Scotland on a similar basis to those which we are suggesting can be used to finance pilot schemes in England and Wales. My main concern is that MSC funds should be used to achieve specific targets under the Initiative and not to support existing education programmes which are the responsibility of Education Ministers. I have to say that there does not seem to be such a proposal for Scotland at the moment.

As for the longer term implications I can only say that, if the Initiative succeeds as we hope, I would expect any continuing support beyond the 5-year period to be carried on the education budget in the form of specific grant. The legislation which Keith Joseph is hoping to introduce shortly would be suitable, with some amendments, for this purpose. Insofar as the resources found by the MSC for the 5-year period were available beyond it, I would expect them to continue to be made available through the education programme for this purpose to the extent then necessary. On that basis I firmly believe that after the 5-year period the financing of technical and vocational education should fall wholly on the education programme within whatever resources are available for it.

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I hope that this letter removes your doubts on the expenditure aspect and I should be glad if you would confirm that this is so. With your approval, I had intended to write to David Young to indicate the form in which we would be happy to see an extension launched, on the understanding that the MSC is able to find the resources. Keith Joseph and Nicholas Edwards would then have consulted the local education authorities on the proposal and David Young would have consulted the MSC at their next meeting. That seems to us to be the right procedure, but of course we shall not now be able to embark on it before the Election.

I am copying this letter to the Prime Minister, Keith Joseph, Nicholas Edwards and George Younger; and to Sir Robert Armstrong.

*Yours
Norman*

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	<u>1984/5</u>	<u>1985/6</u>	<u>1986/7</u>	<u>1987/8</u>	<u>1988/9</u>
a. Resources earmarked at present	18	24	28	28	8
b. Gross cost of 14 original projects	11	11	11	11	6
c. Available for extension (a - b)	7	13	17	17	2
d. Gross cost of extension by 60 projects (2/3 of year)	20	30	30	30	30
e. Savings on YTS on 74 projects	0	2	8	11	9
f. Net cost of extension by 60 projects (d - c - e)	13	15	5	2	19
g. Net cost of 74 projects (a + f)	31	39	33	30	27

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NBPM

ms 29/4

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP
 Secretary of State
 Department of Employment
 Caxton House
 Tothill Street
 London SW1H 9NF

27 April 1983

2 Norman

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

We spoke earlier today about your letter of 21 April. As I explained then, I certainly do not wish to hold up desirable developments unnecessarily but I do think we need to look more closely at the public expenditure implications of what you propose before reaching a decision. It may be helpful if I set out my doubts a little more fully on paper.

What you propose would be a major extension of the scheme before the pilot experiments have even got under way and, as you recognise, would have a major public expenditure cost, particularly in 1985-86 and beyond.

The table annexed to your letter indicates that gross expenditure on the proposed extension would amount to £150 million over the next 6 years, and net additional expenditure to almost £60 million. I am sure you would agree that these estimates are subject to wide margins of error. First, we cannot be sure that only 60 local authorities would submit acceptable bids. The 52 frustrated applicants who failed to qualify for a pilot scheme would presumably re-submit; and a large number of others who might not previously have had the time to assemble suitable projects could also come forward.

Secondly, your estimates of cost assume that the £500,000 grant would be a fixed cash sum over the five year period. This might indeed be a way of rationing the number of bids, but I am not sure if that is what you have in mind. Any up-rating of the grant in later years would, of course, increase the cost.

Finally, I gather that there is some doubt about both the room which exists within the existing "allocation" for the 14 pilot

schemes, and the extent of any flowbacks in respect of 16 year olds who might otherwise have gone onto YTS.

Given the uncertainties, the cost of the proposed extension could be a good deal more than your estimates imply. But even as they stand, these indicate that the MSC would have to find quite substantial offsetting savings over the period, and especially in the first couple of years. In the light of recent underspending it is tempting to conclude that savings could be made without much problem. But the Youth Training Scheme represents uncharted waters in expenditure terms and there are already signs that it will not be easy to achieve our target of 460,000 places within existing resources. On top of this, we ought not to ignore the pressure which is building up to extend the guarantee of a place to unemployed 17 year olds. I am bound to say that I am very uneasy about anticipating future savings in a programme which could prove difficult to contain within existing provision. And it might be that similar considerations apply in relation to adult training, which is the other large element of MSC expenditure. My concern is only reinforced by the fact that even the cost of the existing 14 pilot schemes has yet to be accommodated within the MSC's budget.

We need also to consider the possible costs to the DES and LEAs of continuing along this path - especially if, as you suggested on the phone, you envisage that the MSC might transfer responsibility to them at some point.

In the light of my concerns you agreed not to give the MSC any firm message for the time being until we have considered the implications further.

I am copying this letter to the Prime Minister, Keith Joseph, Nicholas Edwards and George Younger; and to Sir Robert Armstrong.


LEON BRITTAN

EDUCATION: Proposals to establish
Training Colleges. Oct '82

28 APR 1983

10 11 12
8 9
7 6 5 4



10 DOWNING STREET

From the Private Secretary

25 April, 1983

Technical and Vocational Education Initiative

Thank you for your letter of 22 April about the pilot schemes under the Technical and Vocational Education Initiative.

I showed this to the Prime Minister over the weekend. She has commented that she is most disappointed by this information; she believed that the Government was establishing 14 new technical schools.

I am sending a copy of this to John Gieve (Chief Secretary's Office) and Imogen Wilde (Department of Education and Science).

M. C. SCHOLAR

Ms. F. M. Everiss,
Department of Employment

CONFIDENTIAL

A handwritten signature, possibly 'FIVE', written in the bottom right corner of the page.



Caxton House Tothill Street London SW1H 9NXF

Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON
SW1

*How very disappointing -
I thought we were celebrating
new linked schools*

April 1983

Dear Michael

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

You told me that the Prime Minister had asked where pilot schemes under this Initiative will be housed and whether in general they will be in existing schools or in separate premises.

The broad answer is that schemes will be housed in existing institutions, both schools and further education colleges, depending on local circumstances. When the Initiative was first announced, we could not be certain what response it would get from local education authorities and we were therefore careful to leave open the option of MSC setting up separate projects, outside existing education institutions, if this should prove necessary. David Young has gone out of his way, however, to make clear that the Commission preferred to work with and through local education authorities and after some initial hesitation the general response from authorities and other education interests has been positive. As Mr Tebbit said in his letter of 21 April to the Chief Secretary, some two-thirds of all local education authorities put in bids. Since our aim is to stimulate radical long-term changes in the curriculum offered to young people throughout the education system, we and MSC are naturally delighted to be getting this kind of co-operation.

TPM

One of the purposes of the Initiative is to test different institutional arrangements for delivering technical and vocational education to the 14-18 age group. The 14 schemes selected to start in September offer therefore a variety of approaches. In general, however, young people being supported will constitute a proportion of those in the fourth and fifth year of particular secondary schools, linking up with local colleges to provide certain elements of courses.

I am copying this to John Gieve (Treasury) and Imogen Wilde (DES).

*Yours Sincerely
Felicity Everiss*

MS F M EVERISS
Private Secretary



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213..... 6400.....

Switchboard 01-213 3000

The Rt Hon Leon Brittan QC MP
 Chief Secretary
 Treasury
 Great George Street
 LONDON SW1

Prime Minister

You were asking earlier

this week what 'project'
 meant in this context.

The letter at flag A
 from Mr Tebbiti office is

21 April 1983

D/Emp's

response to
 this question.

MLS 22/4

Dear Chief Secretary

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

This Initiative, which was announced by the Prime Minister last November, has got off to a good start. Keith Joseph, Nicholas Edwards and I recently approved the selection of 14 pilot projects from bids submitted by 66 local education authorities in England and Wales, some two-thirds of the possible field. The quality of response was encouraging and the initiative has stimulated considerable interest and much, though not universal, support in the education system. All 14 schemes should be ready to start in September.

We are now no longer in the position of trying to persuade a few local education authorities to start pilot projects. The initial offer of financial support has made very plain that there is a willingness to move towards providing more technical and vocational education on these lines and we now have the chance to capitalise on that. And on the basis of the detailed information we have gained of the unit costs of the pilot projects I am confident that we can do so within my existing public expenditure programme.

David Young has accordingly been discussing with Keith Joseph and myself how we could best build on the success so far achieved given that the unit costs of these projects are turning out to be lower than the initial estimates. What we have in mind is to offer to support a suitable TVEI project in every local education authority in England and Wales which wishes to run one. The support would be given for a five year period as in the case of the 14 pilots and the further projects would be approved by the MSC for introduction from September 1984. If every authority (except the 14 already selected) were to attract support, this would produce a further 90 schemes, but there are some (like ILEA) who might not apply or might not succeed in meeting the minimum standard required for a project.



As I say, I am confident from close scrutiny of the figures that we could fund this comprehensive approach from within the MSC's existing expenditure provision. It is proposed to put a ceiling of £500,000 a year on the support given to each of the additional projects and we would expect some 60 local education authorities to come forward with acceptable projects. On this basis the annual cost in a full year would be £30 million. Towards this the MSC already has £17 million which was committed to the original pilot projects but has not proved to be needed because we have got l.e.a.s in general to contribute what amounts to the cost of normal educational provision for the young people concerned. In addition, we can reasonably expect that some of the young people who stay on after 16 within these projects would, in their absence, have left school and in one way or another have found their way onto the Youth Training Scheme. We estimate that this effect would yield savings on YTS of about £9 million a year when the original 14 and these additional 60 projects all have a full complement of 16 and 17 year olds.

The attached table sets out the figures over a 5 year period and you will see that the net annual cost of the proposed extension rises to £15 million in 1985-86 and then declines as the savings of YTS take effect, rising again when the original 14 projects have ended. David Young is prepared to undertake to find the full cost over these 5 years from within the MSC's existing planned programme of expenditure, whether from the YTS provision or elsewhere. I am satisfied that this would be achieved without prejudicing our YTS targets or other important policy commitments.

If you and other colleagues concerned support this approach, Keith Joseph and I propose to proceed as follows. There is likely to be some pressure for further action when the Manpower Services Commission meets next Thursday 28 April and David Young may well be asked to write to me to convey the Commission's own concern at possible loss of momentum and opportunities if no further projects are supported. In that event I shall let it be known, in the case of enquiry, that the Government are already reflecting on the outcome of the Initiative and the possibility of its development; and will thereafter write to the Commission to express the Government's willingness to consider extension if the MSC care to put forward proposals which can be met from within resources already allocated to the MSC. At that time and in conjunction with the MSC, Keith would consult the local education authorities to secure their support for what would be a big step forward in the national policy for the curriculum for the 14-18 age group. We would then expect proposals to be forthcoming from the MSC by the end of May and we would take and announce a decision on them in June, in good time for local education authorities to start preparing applications



for schemes to start in September 1984.

Our proposal would extend the concept of pilot projects to every authority so that each might learn from its own experience. Its great advantage in Keith's view and my own is that it seizes the opportunity created by the success which has followed the Prime Minister's November announcement to get on faster with the essential task of improving technical and vocational education in our schools.

Keith and I very much hope that we may have your support and that of other colleagues concerned for proceeding as we propose on 28 April and thereafter.

I am copying this letter to the Prime Minister, Keith Joseph, Nicholas Edwards and George Younger; and to Sir Robert Armstrong.

Yours sincerely,
Baroness Gorman
(approved by Sec^y of State, and
signed in his absence)

CONFIDENTIAL

	<u>1984/5</u>	<u>1985/6</u>	<u>1986/7</u>	<u>1987/8</u>	<u>1988/9</u>
a. Resources earmarked at present	18	24	28	28	8
b. Cost of 14 original projects	9	11	11	11	6
c. Available for extension extension (a - b)	9	13	17	17	2
d. Total cost of by 60 projects	20	30	30	30	30
	2/3 of year				
e. Savings on YTS	0	2	8	9	7
f. Cost of extension by 60 projects (d - c - e)	11	15	5	4	21

CONFIDENTIAL

SUBJECT

cc Master



CR
64-71/4
EDUCATION

10 DOWNING STREET

From the Private Secretary

14 February 1983

The Prime Minister had a brief talk today with your Secretary of State and Mr. Hancock about the article by Mr. Fred Janes, President of Yeovil College,

The Prime Minister said that, while she did not agree with everything in the article, the problem of the lack of a proper technical option for many school children, to which the article referred, was a real one. Your Secretary of State said that he recognised the truth of much of what Mr. Janes said. There was nevertheless some reason to hope; recent developments such as the technical training initiative, the new technical courses for low achievers, and the work which was being done on examinations for the 16+ pointed in the right direction. The problem was largely one of esteem. The greater prestige which attached to academic courses meant that parents were often unwilling to let their children undertake technical courses for which they were much better suited. The Department of Education and Science was nevertheless working on ways to meet the concern voiced by Mr. Janes and shared by the Prime Minister and himself, and he would report back to the Prime Minister in about two months.

I am sending a copy of this letter to David Hancock (Cabinet Office).

CLOSED UNDER THE
FREEDOM OF INFORMATION
ACT 2000

Timothy Flesher

Mrs. Imogen Wilde,
Department of Education and Science.

210

SR
PP's P
C/12

PRIME MINISTER

I've read the article by Mr Fred Janes [redacted]
which you had sent on to me.

Yes, the ideas in the article seem to me well worth following
up.

David Hancock and I would like to talk to you about them as
you suggest - and I am seeking a time in your diary.

KJ

Myra Jones
Fed 2095/1572

11 January 1983

1600 - 1630
Monday 31 January -

CLOSED UNDER THE
FREEDOM OF INFORMATION
ACT 2000



10 DOWNING STREET

From the Private Secretary

PERSONAL

MR. HANCOCK

CABINET OFFICE

The Prime Minister received the attached copy of an article by Mr. Fred Janes, Principal of Yeovil College,

She asked me to send the article to Sir Keith Joseph and to yourself on a personal basis to seek your reactions. If you and Sir Keith thought it worthwhile, she would be quite prepared to discuss the ideas in the article at some suitable stage.

I should say that I do not know when and in what journal it is intended that the article should be printed.

CLOSED UNDER THE
FREEDOM OF INFORMATION
ACT 2000

6 January 1983



10 DOWNING STREET

From the Private Secretary

6 January 1983

PERSONAL

The Prime Minister received a copy of the attached article by Mr. Fred Janes, the Principal of Yeovil College,

She found the article very stimulating and would be interested in your Secretary of State's reactions to the ideas which Mr. Janes puts forward. If Sir Keith felt it worthwhile, the Prime Minister would be prepared to meet him and Mr. Hancock, to whom I am sending a similar letter, to discuss the article.

I should say that I do not know when and in what journal it is intended that the article should be printed.

CLOSED UNDER THE
FREEDOM OF INFORMATION
ACT 2000

I. F. L. S. H.

Mrs. Imogen Wilde,
Department of Education and Science.



The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>1010</i> (one piece/item number)	
Extract/Item details: <i>Letter from PM dated 5 January 1983</i>	
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LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
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PIECE/ITEM <i>1010</i> (one piece/item number)	
Extract/Item details: <i>Undated 1st draft of letter from PM dated 5 January 1983</i>	
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LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM (one piece/item number) <i>1010</i>	
Extract/Item details: <i>Letter to PM dated 29 December 1982 and attachment</i>	
CLOSED FOR <i>40</i> YEARS UNDER FOI EXEMPTION	<i>23/1/2013</i> <i>S. Gray</i>
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Education
cc J.V.



Prime Minister (2)

MS 17/11

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
London SW1H 9NA

16 November 1982

THE NEW TECHNICAL EDUCATION INITIATIVE

Thank you for your letter of 12 November. I have subsequently seen Mr Scholar's letter of 15 November setting out the Prime Minister's comments.

I too am clear that at our meeting on 10 November we agreed to launch the initiative on the basis that, in both the first and subsequent years, it would have to be financed from within the MSC's existing resources. This was confirmed by Mr Scholar's letter to your Private Secretary recording the outcome of the meeting.

I realise however that the idea of a pilot scheme did not originate in the Commission; and also that the MSC has been asked to deliver the lion's share of the savings in cash limited expenditure which we agreed at our bilateral in August. In view of this I would be prepared to stretch a point and accept that the scheme could be financed within your Department's overall cash-limit rather than specifically within the MSC's grant-in-aid. But I cannot agree to any contribution from elsewhere in the Government's public expenditure programme or from the Contingency Reserve.

I am sending copies of this letter to the Prime Minister and to the Secretaries of State for Education and Wales.

LEON BRITTAN

Edw. : Training College
10/82

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8 9 10 5
7 8 9 6

17 NOV 1882



Education of ^{to}

10 DOWNING STREET

From the Private Secretary

15 November, 1982.

The New Technical Education Initiative

The Prime Minister has seen a copy of your Secretary of State's letter of 12 November to the Chief Secretary about the financing of the new technical education initiative.

The Prime Minister has commented that agreement to this initiative was on the basis that the money would have to come from within existing financial resources. She has further commented that it was not her understanding at the 10 November meeting that it would not be possible to secure the MSC Commissioners' agreement to undertake the pilot scheme on the financial basis that they would find the full costs after 1983/84.

I am sending copies of this letter to John Gieve (Chief Secretary's Office, HM Treasury), Margaret O'Mara (HM Treasury), Imogen Wilde (Department of Education and Science), and Adam Peat (Welsh Office).

M. C. SCHOLAR

Barnaby Shaw, Esq.,
Department of Employment.

CONFIDENTIAL

A



PC JV (2)

Prime Minister

Caxton House Tothill Street London SW1H 9NAF
Telephone Direct Line 01-213.....6400
Switchboard 01-213 3000

I was pressed by

Employment and Education

last night to fudge your

Answer in the direction

12 November 1982

Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury
George Street
LONDON SW1

of this letter.

I refused to budge

from the words

at X to

those at Y

D Leon. *Thank you*

THE NEW TECHNICAL EDUCATION INITIATIVE

We seem to be at variance on the financing of the new technical education initiative in the years following the first.

I thought David Young and I made quite clear at the meeting with the Prime Minister on 10 November that the MSC would find the amount required for 1983-84 from within its approved public expenditure provision for that year. That would be difficult enough since it means in effect asking the Commission to find something in the region of £7m more in that year in running costs alone than the £33½m savings that I have already just asked them to find in that year as an outcome of our bilateral agreement.

MS 12/11

But we cannot ask the Commission to commit themselves to finding the full running costs of £25m or more a year (and whatever capital costs there may be) in the subsequent years on top of the £33-34m a year that they are saving in those years also as a result of our bilateral agreement. We are the ones who are asking the Commission to undertake this pilot scheme (it is not a Commission proposal) and it serves a wider purpose than the MSC's alone. David Young has assured me that he cannot possibly get Commissioners to agree to undertake the pilot scheme on that financial basis.

But he should say so.

In the light of the view you conveyed to me this morning I have fudged the issue in the necessary letter today to the Commission and in the publicity. I have made plain that the money in the first year must be found by the MSC and that the money for the whole length of the pilot scheme will come from within existing financial resources as the

X



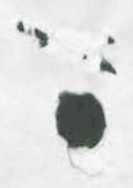
Prime Minister's answer says. This leaves open where the money comes from in the second and subsequent years and we must quickly have an agreed line on that.

Although I cannot accept that the MSC or my Department should be committed to finding this extra money in the second and subsequent years I am prepared, in the spirit in which we have always conducted our financial discussions, that we should as we come to each year's public expenditure survey look first to see what contribution to these extra costs as we then know them can be found from savings by the MSC and by my Department. But if that contribution falls short it seems to me only reasonable that we must look to you to help us to find it from within the Government's public expenditure programme, including the contingency reserve. I very much hope that you will agree quickly that we may proceed on this basis. Y

I am sending copies of this letter to the Prime Minister, to the Chancellor and to the Secretaries of State for Education and for Wales.

J. Norman

12 NOV 1982



010
Edve.:
Proposals to est.
Tech Colleges 10/82
with mes 12/11

SECRET

9



PA

Treasury Chambers, Parliament Street, SW1P 3AG

Michael Scholar Esq
No.10 Downing Street
London SW1

12 November 1982

Dear Michael

TECHNICAL COLLEGES

We spoke about your letter of 11 November to Imogen Wilde and her reply of the same date. The Chief Secretary was content with the Question and Answer as drafted in your letter and with the amendment to the Question that Imogen suggested. However, he could not agree to the amendment that she suggested to the Answer. The revised form of words would not, in his view, reflect the decision on financing the scheme that was recorded in your earlier letter of 10 November.

Copies of this go to Imogene Wilde, Barnaby Shore, John Kerr, David Edmonds, Muir Russell and Adam Peat.

Yours sincerely,

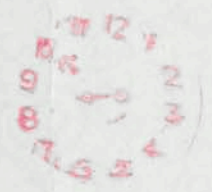
Jr. Gieve

JOHN GIEVE

Private Secretary

SECRET

7 NOV 1982



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PA MLS 12/11 8
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

SECRET

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

11 November 1982

Dear Michael

TECHNICAL COLLEGES

Thank you for copying to me your letter of 11 November to Imogen Wilde.

The Secretary of State has decided that there is no need for the pilot scheme to apply to Scotland. The thinking behind that decision is brought out in the attached note containing a few of the main points we will be making in response to enquiries when the news breaks. The Secretary of State has already mentioned to Mr Tebbit that he will be taking this line. It would be helpful if the Scottish position could be made clear as appropriate in Press briefing etc. A suitable form of words might be:-

"There is a separate and distinctive system of education in Scotland. There are, I understand, various educational developments there bearing on technical and vocational education for this age group."

It is clear from the draft answer that there are no additional financial resources for the pilot scheme. Mr Younger attaches the greatest importance to there being no diversion of resources from MSC expenditure in Scotland to support the scheme, since that would undermine the success of the separate strategy we are pursuing. Equally, he has asked me to register at this stage that if in future the technical colleges scheme does command extra resources it will be necessary for appropriate sums to be made available through the education budget in Scotland so that our relative position and rate of progress can be maintained.

I am copying this letter to the recipients of yours.

A Muir Russell

A MUIR RUSSELL
Private Secretary

E-5

SCOTTISH POINTS

1. Education and industry are a single ministerial portfolio.
2. We are already well seized of the need to ensure that school education caters for a broad range of abilities and prepares for a wide range of careers. To this end, work on the Munn and Dunning Development Programme, which will provide an appropriate curriculum and awards for all pupils, is well advanced, as is consideration of the links between the Munn and Dunning courses and further education courses, within the context of an overall framework for the education of 16-18 year olds. As part of these developments technology is well to the fore, for example, the CCC's project "Education for the Industrial Society" and the CCC's recently set up Committee on Technology.
3. There are already good relationships between the MSC and education authorities. Discussions are continuing on the off the job element of the youth training scheme, and there seems no reason to doubt that FE colleges are capable of producing training of the kind required.
4. As regards the funding of further education and changes in the balance between central and local government responsibilities for the management of individual colleges, we are considering the report of the Council for Tertiary Education.
5. We would not expect the MSC's programmes in Scotland to be affected by any adjustment of the Commission's priorities to provide for the pilot schemes in England and Wales.

010

SECRET

7



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

M Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

11 November 1982

Dear Michael,

TECHNICAL COLLEGES

Thank you for your letter of earlier today in which you set out the terms of a proposed Answer for the Prime Minister to give to a written PQ on this subject tomorrow.

My Secretary of State has suggested two amendments to the draft Question and Answer as follows:

Question

i. Amend to read: "What plans she has to develop the existing arrangements for"; and

Answer

ii. Amend the penultimate line to read:

..... 14-18 year olds, within the government's public expenditure plans, and"

I am copying this letter to the recipients of yours.

Yours ever,

Inogen Wilde

MRS I WILDE
Private Secretary

SECRET

NOV 7 1952

RECEIVED
NOV 7 1952

CONFIDENTIAL



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:
H/PSO/17726/82
Your ref:

11 November 1982

Dear Michael

TECHNICAL COLLEGES

I refer to your letter of 11 November to Imogen Wilde.

I assume that all the resources for this pilot scheme will be provided through MSC. On that basis we have no comment to make on the proposal. If eventually the pilot scheme leads to extra demands on local education authorities then we would have to look again at the question of resources.

*Yours
D A Edmonds*

D A EDMONDS
Private Secretary

SECRET



10 DOWNING STREET

6 Sr
✓ Dc. Mr Pickett
Mr Lyham
Mr Vesker.

From the Private Secretary

11 November 1982

Dear Imogen,

TECHNICAL COLLEGES

I understand that there was discussion late last night at the House about the terms of the Prime Minister's reply to a written PQ, following the discussion which the Prime Minister had yesterday morning with the Ministers most concerned. The following is now proposed:-

Question - Sir William van Straubenzee to ask the Prime Minister

Whether she is satisfied with the existing arrangements for technical and vocational education for young people, and if she will make a statement.

Answer

Growing concern about existing arrangements has been expressed over many years, not least by the National Economic Development Council.

I have asked the Chairman of the Manpower Services Commission, together with my rt. hon. Friends the Secretaries of State for Education and Science, ~~and for~~ ^{and Wales,} Employment, to develop a pilot scheme to start by September 1983, for new institutional arrangements for technical and vocational education for 14 - 18 year olds, within existing financial resources, and, where possible, in association with Local Education Authorities.

I would be grateful if you, and those to whom I am copying this letter, would let me know as soon as possible, and at the latest by close of business this evening, whether you have any comments on the proposed Answer.

I am sending copies of this letter to Barnaby Shaw (Department of Employment), John Kerr (HM Treasury), John Gieve (Chief Secretary's office, HM Treasury), David Edmonds (Department of the Environment), Muir Russell (Scottish Office) and Adam Peat (Welsh Office).

Yours sincerely,

Michael Scholar

Mrs. Imogen Wilde,
Department of Education and Science

SECRET

NR/Butcher?

MLS.

Answer to Parliamentary Question (Written),
tabled by Sir William van Straubenzee on
Thursday, 11th November 1982

Growing concern about existing arrangements
has been expressed over many years, not least
by the National Economic Development Council.

I have discussed this with my RHF's the
Secretaries of State for Education & Science,
and for Employment, and with the Chairman of
the Manpower Services Commission.

me } I have asked the Chairman, together with my
RHF's } to develop a pilot scheme to start by
September 1983, for new institutional arrangements
for technical and vocational education for
14-18 year olds, within existing financial
resources, and, where possible, in association
with Local Education Authorities.

PARLIAMENTARY QUESTION

For answer on: Thursday 11th November 1982
(DAY) (DATE)

If ORAL
insert X



If for
WRITTEN
ANSWER
leave blank

If for
PRIORITY
WRITTEN
insert W
and give
date for
answer

Name..... Sir William van Straubenzee

Constituency (..... Wokingham) :

To ask..... The Prime Minister

.....
(TITLE OF MINISTER)

Whether she is satisfied with the existing arrangements for technical and vocational education for young people, and if she will make a statement.

Signed.....

SUBJECT
CL MASTER

SECRET

FILE

BM
5



cc P. Gregson, CO
J. Veneker
D. Wolfson

10 DOWNING STREET

From the Private Secretary

10 November 1982

Dear Barnaby,

TRAINING COLLEGES

The Prime Minister held a discussion this morning about the proposal set out in the paper attached to your letter to me of 25 October. The Chancellor of the Exchequer, the Secretaries of State for Education and Science and Employment, the Chief Secretary, HM Treasury and Mr. David Young (Chairman of the Manpower Services Commission) were present.

The Prime Minister said that she was concerned that the proposal in these papers was very far from fully worked out. There was much to be decided - the finance for the project, the premises which the new technical colleges would occupy, who would teach, the equipment and many other matters. She doubted whether a September 1983 start would be practicable, given that parents would need to make their decision in favour of sending their children to these colleges by around May 1983. In discussion it was argued that what was proposed was no more than a small pilot scheme. The premises for the pilot colleges already existed as did the equipment. The MSC skill centres would be a source from which to recruit the instructors. In the Secretary of State for Education and Science's view, the generally academic nature of the secondary school curriculum was unsuitable for about 40% of the children. Many would welcome the new training colleges; on the strength of the recent discussion at NEDC, even the TUC would support this initiative. Nevertheless, within the world of education there would be outrage at what was proposed: the Government was already heavily criticised for abdicating responsibility for the over 16's in favour of the MSC, and local education authorities would say that many of them were eager to provide technical education if only they were given the money. This outrage would be minimised if, in parallel with the MSC's pilot project, the same amount of extra finance were made available to allow local education authorities to compete with the MSC. Against this, it was argued that LEA's could already, within the resources available to them, organise education so as to provide technical colleges. Kent, which was not by any means a high spender, already did so.

/ The Prime Minister

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The Prime Minister said that work should be undertaken urgently with a view to implementing a small MSC pilot scheme, of say five to ten colleges in different parts of the country, as soon as possible. The MSC would have to find savings within their programme to finance the scheme. The fact that no additional finance was being provided should strengthen the Education Secretary's hand in urging local education authorities to set up their own parallel scheme within the resources currently allocated to them. The Prime Minister would make an early announcement of the Government's support in principle for the scheme, and indicating that work was in hand to ascertain whether the scheme could be put into practice starting in Autumn 1983. I would be grateful if you, in consultation with Sir Keith Joseph's Office and the Chief Secretary's Office, HM Treasury, would let me have a draft statement which the Prime Minister could use at Question Time tomorrow or on Tuesday.

I am sending a copy of this letter to John Kerr (HM Treasury), Imogen Wilde (Department of Education and Science) and John Gieve (Chief Secretary's Office, HM Treasury). I would be grateful if you and they would ensure that it is seen only by those specifically authorised by your Ministers to do so.

Yours sincerely,

Michael Scholar
—

Barnaby Shaw, Esq.,
Department of Employment

PRIME MINISTERTRAINING COLLEGES

We agree with the Secretary of State for Employment's assessment that there is a great need for technical schools rather like those which were either abolished or traded 20 years ago. Some evidence of the demand for this sort of education is evinced by the rise of many private schools of computer science, electronic maintenance and engineering, etc. But the private sector has been limited by the fact that there is no tax deductibility for fees. So there has been much too little straightforward technical education.

The Secretary of State argues that we should set up some technical colleges under the aegis of the Manpower Services Commission, as a demonstration project. This can be done quickly and outside the establishment hierarchy of the DES.

The advantage of using the MSC is that it is quite apart from the bureaucracy of the existing education system. It would avoid the corrupting influence of many LEAs and it would avoid the pseudo-intellectualism of the universities. There would be the opportunity to set up a management system which would energetically push the projects along and make sure they achieve their objectives.

The MSC is by no means an ideal body. One would prefer that the trade union involvement be much smaller and the industrial participation much greater. Perhaps this can be specified in the terms of the administrative structure used, but at least it should be closely monitored.

Although MSC is by no means ideal, all the alternative possible aegises are clearly worse. The local education authorities would be quite inept and probably disastrous. The Department of Industry would not be an appropriate agency and would be unlikely to perform as well as the MSC. The Department of Education and Science would find it very difficult to do anything outside its normal constraints.

/Conclusion

Conclusion

Our general view is then that the MSC initiative is worth further investigation. We would think it is worthwhile insisting that the trade unions have only a minor role in this development. Close participation with local industry is essential, and this should be one of the basic criteria for support. We believe also it would be wise to have some central control on the curricula.

With all these conditions, however, we suggest that the MSC initiative should be supported.

9 November 1982

FERDINAND MOUNT

ALAN WALTERS

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Education

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10 DOWNING STREET

From the Private Secretary

8 November 1982

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TRAINING COLLEGES

The Prime Minister was grateful for your Secretary of State's minute of 2 November about launching an initiative to restore technical and vocational education as a prime force in the educational system. She also saw Sir Keith Joseph's minute on the same subject.

The Prime Minister thinks that these ideas are not yet sufficiently worked out to be able to be put before a Cabinet Committee. She has suggested that a small group of Ministers should meet to discuss these proposals, and we have arranged that a meeting - which would involve the Chancellor of the Exchequer, as well as the Secretaries of State for Education and Employment - should take place here tomorrow at 1615 hours. *

I am sending a copy of this letter to Margaret O'Mara (HM Treasury) and Imogen Wilde (Education and Science).

M. C. SCHOLAR

* postponed

Barnaby Shaw, Esq.,
Department of Employment.

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2/11

PRIME MINISTER

Prime Minister

MS 2/11

THE DAVID YOUNG PROPOSAL

1 Because I believe that choice benefits the customer, I very much favour the David Young initiative.

2 I set out below some comments on it. I have not so far sought advice in my Department on the basis required for a proper consideration of this proposal.

3 But good as I believe the results could be, the success of this proposal depends on how we can galvanise what is a providers' oligopoly: - 97 local education authorities in England, plus the churches and other voluntary bodies and the independent schools. A new type of provider is proposed to compete with the existing ones - the direct agent of a Crown body: the institutions will be "Crown Colleges".

The Likely Reaction of the World of Education

4 This Government in general and I in particular are seen as destroyers of educational quality: no matter how often we explain that effectiveness in education cannot be measured by money spent, that motivation of the child, support at home, the skill and character of teachers and head teachers and the curriculum provided can be more important than money, spokesmen of education and those who heed them clamour that more money is needed than we are planning to provide.

5 We are moreover - and I in particular - already heavily criticised for abdicating responsibility for the over 16s in favour of the MSC. This further MSC initiative will be taken as an outrage: LEAs and schools will say that many of them are eager to provide technical education if only they were given the money. In fact some LEAs - notably Coventry - have got their schools to do it, sometimes with the help of MSC money.

6 Rather different considerations apply pre-16 and post-16. Technical education is generally quite efficiently available post-16 in FE colleges. The real question is what new is to be offered pre-16 (which is not to

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say that, if one introduced a new type of institution pre-16, it should not take youngsters through to 18).

7 In fact maintained schools today are seen - not I believe unfairly - as catering reasonably effectively for those with academic potential but as offering ill preparation in terms of character, attitudes and skill for work and for living.

Technical Curriculum Initiatives at DES

8 From early days here I judged the generally academic nature of the secondary school curriculum unsuitable for about 40% of the children.

9 My recent announcement that we sought a more suitable curriculum for this 40% has been widely welcomed: the provision of an extra £2m per annum for selective development projects for this purpose has attracted bids from no less than 60% of the LEAs. Out of this initiative strong technical streams should emerge in more of our comprehensives, and gradually a more suitable curriculum will no doubt evolve.

10 My pursuit of new arrangements for full-time prevocational courses in schools or colleges for the first year post-16 is also a step towards technical education for those below 'A' level standard.

The First Problem is Financial

11 No part of what I have said so far reduces the case for the initiative proposed by David Young. But there is a problem. If the MSC is given public money per pupil greater than that available to the LEAs there will be intensified outrage; and we risk losing the galvanising effect because the schools will not be able to reproduce the conditions which make the Crown Colleges successful. Crown College places will cost much more than LEA school places - rough figures in the Annex.

12 So to put the schools into the same league on resources as the Crown College could be very expensive. With an extra £200-300m a year (plus some capital expenditure) - assuming an extra £500 per pupil in the last 2 compulsory years - one would have enough to do so for a

significant proportion - perhaps a half - of secondary schools, but not for all.

13 David Young suggests that about half the cost of Crown Colleges would have fallen on the Education budget. I could not agree to such a transfer. His initiative may attract new students post-16; Crown College unit costs are higher; and most of the school and FE places which become vacant could probably not be taken out of use and their full cost saved.

14 I strongly believe that a move towards a technical curriculum is needed. I welcome the David Young initiative. I believe that the intensified odium which it will arouse in the world of education is unavoidable if no extra finance is made available to allow LEAs to compete with the MSC. A paper on an important element of educational policy - wider parental choice via vouchers and open enrolment - will reach you shortly. It will be necessary to weigh that proposal's claims on public expenditure (perhaps £10m rising to £50m for pilot projects in the first 5 years, with much larger sums if a national scheme is adopted) alongside those of David Young's initiative and the consequences for the existing State system. Such extra spending is, I believe, needed on grounds of freedom of choice and quality of education.

15 I repeat that if we release MSC - as I am in favour of doing - and do not equip the LEAs to compete, we shall harvest some very real resentment on top of the resentment that will unavoidably be caused by allowing the MSC to poach further on what the world of education regards - wrongly in my view but very sincerely - as theirs.

A More Acceptable Way of Action

16 We could partly disarm resentment by announcing a pilot technical education programme, half within the education system with specific grant (for which I would need a new power) to LEA schools from among those already working on these lines and who bid for the opportunity and half from the MSC.

How Widely Will the Colleges Catch on?

17 There is a problem of securing parental support for Crown Colleges. The paper refers to "all abilities". What is crucial is the attitude

of employers. Parents heed what they think employers want. Employers say that they want broadly rather than vocationally educated young people, well motivated, co-operative, adaptable, and with self-discipline. They seem to value 'O' levels. If the Crown Colleges came to be regarded as inferior in general education, they would fail.

18 Moreover, the age range proposed reaches beyond the compulsory education period. Parents may well say that:

- a If the child decides to leave at 16 he or she should have had the chance to take 'O' levels or CSE; and that
- b if the child stays on voluntarily from 16 to 18 he or she might as well seek 'O' and perhaps 'A' levels rather than, or in addition, to BEC, TEC or CGLI.

Some TEC and BEC qualifications at the approximate level of 'A' level permit entry to some higher education institutions. But other higher education institutions insist on 'A' levels plus certain 'O' levels.

19 The Crown Colleges would have to compete with the present apparently more flexible options of seeking 'O' levels and CSEs at school and then TEC, BEC or CGLI at further education colleges.

20 The Annex draws attention to considerations to be satisfied by the new colleges.

Conclusion

21 I repeat my support of David Young's initiative. But placing it outside the present education system creates difficulties which must be overcome if it is to achieve its galvanising purpose. In paragraphs 12 and 16 I have suggested alternative ways forward.

22 I am copying this minute and the note attached to Geoffrey Howe and Norman Tebbit.

KJ

November 1982

CROWN COLLEGES

1 The proposed colleges would span the last 2 years of compulsory full-time education (which are normally spent at a school) and the 2 years post-16 (which those in full-time education now normally spend either at a school or at a FE college). Different legal and practical considerations apply to these two tranches.

2 Since the MSC is a Crown body, the proposed colleges would not be subject to the provisions of the Education Acts which govern schools or other educational establishments. For example, they would not be subject to inspection by HMI or to regulations made by the Secretary of State in respect of schools.

3 But when the Crown is exempt from a statute, the Government normally acts in the spirit of the statute in relation to the exempted area. Arguably the Crown colleges would voluntarily submit themselves to inspection by HMI and would require a level of competence and qualifications in their teaching staff which, duly allowing for the colleges' special character, was consistent with the corresponding requirements for schools or colleges in the State sector. Crown Colleges would have great freedom to offer what might attract parents. But because they would be provided and financed by the State, people would expect the State to try to secure certain standards, for example in relation to teacher qualifications. Inspection by HMI is post hoc, and thus not a guarantee of initial standards.

4 It would also be necessary to ensure that the Crown Colleges enabled the parent to meet his statutory duty to ensure that his child of compulsory school age received efficient full-time education suitable to his age, ability and aptitude. A LEA which, whether for political or educational reasons, took the view that a Crown College's curriculum was inadequate for this purpose might start school attendance order proceedings against the parents, and the adequacy of the curriculum could then become the subject of legal proceedings.

5 Not only are the functions of the MSC performed on behalf of the Crown, but also its legal relationship with the Secretary of State (for Employment) is a very close one. It is under a statutory duty to ensure that its activities are in accordance with proposals submitted to the

Secretary of State and approved by him, with or without modifications. And the Secretary of State is empowered at any time to give the MSC such directions as he thinks fit with respect to its functions. This relationship is so close that Crown Colleges would almost certainly be regarded as central government institutions and PQs could easily be drafted in terms which would result in the Secretary of State in effect becoming answerable in Parliament for Crown Colleges.

6 Crown Colleges would be selective. The selection arrangements would need to be fair and seen to be so. It would not be easy to achieve this, given the desired outcome over the whole ability range, and the significance of the location of each college, coupled with the absence of special financial support for poorer students.

7 The average cost per secondary pupil aged 11-16 in the State schools is now about £1,100 a year. The average cost of a full-time student doing technical studies in a FE college is of the order of £2,500 a year. The cost per pupil aged 14-16 of introducing the Crown College curriculum would work out at somewhere between these 2 figures. The cost per older student in a Crown College could be higher than the average corresponding cost per student in a FE college, because the Crown College is to cater for a wider range, as well as for smaller numbers, of technical students than the average FE college.

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This initiative
worked out
enough to put
it before any

Prime Minister

PRIME MINISTER

Agree that this

paper should be discussed
at an early E meeting?

TRAINING COLLEGES

~~subject~~ committee
of which. We must
have an ad hoc meeting
of Ministers

Twenty years ago technical schools were abolished in Britain. Since
then complaints from employers about the employability of school
leavers have greatly increased. It was a mistake which was not
copied by our successful industrial competitors.

Next year YTS will be introduced to give basic industrial and
commercial skills, as well as remedial education, to most of our
young school leavers. It is an expensive programme but necessary.

Now from personal discussions between Keith Joseph, myself and
David Young has emerged an idea for an initiative to restore
technical and vocational education as a prime force in the
educational system. The initiative is outlined in the attached
paper.

Such a change cannot be brought about from within the educational
system which destroyed technical schools, degraded many fine
Institutes of Technology into expensive sub-standard universities
and has shown little sympathy to or understanding of commerce,
industry or the process of wealth creation. A sharp highly
focussed shock is needed to act as a catalyst to bring about
change. Attempts to initiate the changes needed from within the
system will be muffled by inertia, frustrated by a refusal to act
without vast new cash resources, and by the fact that the
Secretary of State for Education and Science is deprived of any
power of direct action.

The paper shows how these problems might be overcome by the
establishment of a small number of Training Colleges whose
popularity and success would force the established system to
emulate their example. We can do this by using our existing
legal power to act directly in this way through the agency of the
Manpower Services Commission under David Young's chairmanship.



We cannot estimate costs firmly at this stage, but on the basis of MSC experience in this area the gross costs in a full year of ten of these colleges when fully operational might be around £25 million. The net additional expenditure would be substantially less when offset by what would otherwise have been spent on the young people. The 1983-84 costs should be under £7 million and, although there will also be some initial capital costs, these should be low if education authorities and employers cooperate in the use of existing accommodation and equipment.

Keith and I think this could be a real breakthrough and, if we are to get these colleges operational from next September, we must start the process immediately. With Keith's approval therefore I propose to put the attached paper to E (or to whichever group you think appropriate) to seek early authority for Keith and I to move to the next stage, which is to announce the intended programme, to appoint the key manager and to establish the arrangements for the operation of these colleges from next September.

The programme is novel and the timing is very tight. Do you agree that we should circulate this paper for decision by colleagues at an early meeting?

I am sending a copy of this minute and its enclosure to Keith Joseph who favours this initiative and is sending to you a minute of his own; and to Geoffrey Howe to whom I have outlined what I have in mind.

NT

Secretary of State for Employment

2 November 1982

DRAFT PAPER FOR COLLEAGUES

TRAINING COLLEGES

Memorandum by the Secretary of State for Employment

This country, almost alone amongst industrialised nations, abolished its technical schools nearly 20 years ago. This paper outlines a project designed to serve as a catalyst to encourage the educational sector to restore technical and vocational education as a prime force in the school system.

I propose to ask the Manpower Services Commission to establish from September 1983 in each of the seven regions of England and in Scotland and in Wales at least one training college to provide a four year course, commencing at 14 years, of full time technical, vocational and general education. The course would lead to certification by City and Guilds, TEC and BEC (or their Scottish equivalents) in a variety of skills ranging from manual trades to computer sciences. The courses would provide full time education in the first year, some work experience during the second year (both years being in the period of compulsory education) and during the final two years a sandwich course, using outside employers, to provide relevant work experience.

The purpose of each training college, and, of the programme as a whole, would be to explore and expose, particularly to the schools, the value of vocational education to young people, to employers and to the local community; methods of organising, delivering, managing and resourcing such a project in any locality; and the

kind of programmes, curriculum and pedagogy required for successful operation of such a project.

We propose initially to establish up to ten such training colleges, each catering eventually for up to 1,000 students of age 14 to 18, representing the full range of academic ability levels. We propose to do this through the agency of the Manpower Services Commission which has powers under the Employment and Training Act, 1973 to make arrangements to assist persons to train for employment suitable for their ages and capacities. "Training" in this context includes any education with a view to employment and the powers are not limited to any particular age. So provided that we ensure that the syllabus in the compulsory school years accords with the 1944 Education Act, we can see no statutory obstacle.

There are certain points of key importance in operating the project. The number of places offered must relate to prospective labour market opportunities, especially local ones; substantial periods of practical work experience must be an integral part of the course; the focus must be on practical applications of knowledge and skills and not "academic"; and the skills and experience acquired must relate to tomorrow's requirements, not yesterday's.

The programme is bound to evoke a mixed response. We can expect employers, parents and young people to welcome the programme. So will some amongst the education professions, though others will feel deeply threatened by it. The education authorities seem generally bound to be hostile, seeing in the programme a further step towards central control of curriculum and funding of education.

We can maximise support by not making the mistake of being too prescriptive about the forms and organisation of the project in any locality. Criteria and guidelines for the proper operation of the project must be determined nationally, but how exactly a project is run (and hence its design) and who should be involved and how should be left for local determination. In particular, employers must be involved in the design, delivery and management of the project and, we hope, in the funding of it, in cash or kind.

Organisation

The project will be the management responsibility of the Chairman of the MSC who will establish a national steering group. He will also establish under MSC aegis a small high calibre team at national level to design the programme, establish the system for running the individual colleges, determine funding for individual projects and monitor progress. Local chairman and project organisers will be appointed for each project.

Timing

We want to get these initial colleges open in September 1983 for the first intake of 14 year olds. To attain this we must start immediately. The first steps are an early announcement this month of our intention to mount the project; recruitment of an outstanding person from the education and training sector to head the national management team; and selection of and approach to promising localities for establishment of colleges where chances of success are enhanced by the presence of local leaders, an

education authority and local firms and individuals who are likely to make a success of a project. If we are to open doors to the first students on 1 September next we must by the end of this year have identified our localities and have in place chairmen and local project organisers for each.

Funding

Places will be open to all 14 year olds who wish to apply, (though if people in particular cases want to set up the college, with a wider age provision from the start, we would like to encourage them to do so). There will be no special student support other than allowances already available to families and to those young people who qualify for them. We envisage an annual specific grant to each project with continuity of funding guaranteed for five years. Contributions from LEAs, employers or other sources, in cash or kind, will be invited.

Firm cost estimates cannot be made at this stage. However, all pupils would otherwise have benefitted from 2 years at school and most from one year on YTS. The recurrent cost is likely to be above the average cost per secondary school places pre-16 (£1,100 a year) and above the average cost of a FE place later; and I have assumed £2,000 a place pre-16 and £3,000 post 16. On the assumption that there would eventually be 1,000 students in each college, the annual grant necessary for each might be £2½ million when fully operational, making some £25 million for the annual cost of a programme of 10 colleges. The recurrent costs in the financial year 1983-84 when the colleges will probably cater solely for 14 year olds and for only part of the year should

be under £7 million. There will also be some initial capital expenditure, but these costs should be low (£10 million perhaps) if the local education authority and employers co-operate in the use of existing accommodation and equipment.

The net additional expenditure should be substantially less than these figures, particularly when account is taken of the numbers of post-16 students who would otherwise be on the Youth Training Scheme. We would hope that there might also be some contribution on the equipment side from the DI micro-technology programme.

Conclusion

I see no way in which a change of this kind can be brought about from within the educational system. The educational establishment have consistently failed to recognise the importance to the nation of providing a proper system of vocational training in school and have shown little sympathy to or understanding of commerce, industry or the process of wealth creation. Only by seizing the initiative ourselves in this way can we hope to galvanise them into remedying their own deficiencies.

I accordingly invite my colleagues to agree to my undertaking, with the Secretary of State for Education, this new initiative on the basis described in this paper and to our making an immediate announcement of our intention.

Copy please to Ian Gow
Mrs 28/10

CONFIDENTIAL

cc J.V.

Michael Education
Do you have
the copy for
law? Jess
28/10



Caxton House Tothill Street London SW1H 9N&F
Telephone Direct Line 01-213.....6400.....
Switchboard 01-213 3000

Michael Scholar Esq
(Home Affairs)
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON
SW1

DA

25 October 1982

Dear Michael
TRAINING COLLEGES

The attached paper by David Young, Chairman of the Manpower Services Commission, is intended to serve as a basis for discussion with the Prime Minister, Sir Keith Joseph and my Secretary of State. Mr Tebbit tells me that he mentioned the idea of a discussion to the Prime Minister on 14 October.

The proposal in this paper has been discussed in broad terms with Sir Keith Joseph and Mr Tebbit, and I believe it has their backing.

I am copying this with the attachment to Ian Gow, and without the attachment to Imogen Wilde at DES and David Vere at the MSC. My Secretary of State would be grateful if circulation of this paper could be kept very restricted for the meantime.

Yours sincerely

Baroness Shaw

J B SHAW
Principal Private Secretary

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TRAINING COLLEGES

Introduction

1. This country, almost alone amongst the industrialised nations of the world, abolished its technical schools nearly 20 years ago. This paper outlines a project designed to serve as a catalyst for change, designed to encourage the educational sector to restore technical and vocational education as a prime force in the school system. It can be seen either as a logical development of the Youth Training Scheme, an introduction of the concept of technical high schools or an example of the determination of the Government to re-build the commercial and industrial fabric of the nation on a firm foundation. Its very success (from the standpoint of parents and pupils) should encourage Local Education Authorities to follow suit whilst a failure would open the way to expand the system ourselves.

refusal

Aims and Objectives

2. The aim is to establish from September, 1983, in each of the regions of England, in Scotland and in Wales, at least one Training College to provide a four-year course, commencing at 14 years, of full-time technical, vocational and general education.

The objective is to provide for the students certification by City & Guilds, TEC and BEC (or their Scottish equivalent) in a variety of skills ranging from manual trades to computer sciences.

The courses would be designed to provide full-time education during the first year, some work experience during the second year (both years being during the period of compulsory education) and a sandwich course, utilising outside employers, during the third and fourth years to provide relevant work experience.

The purpose of each Training College, and of the programme as a whole would be to explore and expose to the education service, and particularly to the schools,

- the value of vocational education to young people, to employers and to the local community;
- methods of organising, delivering, managing and resourcing such a project in any locality; and
- the kind of programme, curriculum and pedagogy required for successful operation of such a project.

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Specific Objectives would be

- We should initially establish not less than seven nor more than ten Training Colleges
- Each College should cater for up to 1,000 students
- Each College should be mixed
- Students should represent the full range of academic ability levels
- The courses offered should lead to the attainment of recognised certification in vocational skills, knowledge, experience and competence
- The courses offered within each project should together cover a wide range of sectors of economic activity and a wide range of skill levels, though it would be open to a project to specialise if it so wished in one or more occupational area.

Statutory Authority

3. Under Section 2 (1) and 13 (1) of the Employment and Training Act 1973, the MSC is authorised to make such arrangements as it considers appropriate for the purpose of assisting persons to train for employment suitable for their ages and capacities. In the context of the MSC functions, "training" includes any education with a view to employment. This function is not limited to any particular age and contrasts with the Industry Training Boards which, under the 1982 Act, are limited to the training of persons over compulsory school age.

Compulsory school age is set at 16 years (Raising of School Leaving Age Order S.1. No. 444 of 1972). Until the upper limit of school age is reached, parents have a duty (Section 36 Education Act 1944) "to cause him to receive efficient full time education suitable to his age, ability and aptitude either by regular attendance at school or otherwise". The expression "full time education" is not defined in the Act and is a question of judgement which, in cases of doubt, is for the Local Education Authority. In all probability, full-time vocational training for 14 or 15 year olds (which is not proposed) would be objectionable to most Local Education Authorities but a mixed education during that period would no doubt be acceptable. In any event, the first Training Colleges would only be located in sympathetic LEAs. ?

Methodology: General

4. In considering the offerings to be made available in any project, it will be essential to heed the experience of the United States, namely:

CONFIDENTIAL

- 3 -

- offerings must relate to prospective labour market opportunities and especially to local labour market opportunities;
- substantial periods (weeks and months) of practical work experience must be an integral part of any "course"; it will not do for a course to be entirely classroom based;
- course content must not be "academic"; the focus must be the practical applications of knowledge and skills; and
- skills, knowledge and experience acquired through the project must relate to tomorrow's requirements, not yesterday's.

Such a programme is bound to provoke a mixed response. Support must be maximised and opposition and fear minimised. In particular,

- employers, parents, young people should welcome the programme;
- some elements and some individuals amongst the educational professions will welcome it but others will feel (and will in fact be) deeply threatened by it;
- at best, the education authorities will be suspicious but more likely they will be hostile, seeing in the programme a further step towards central control of curriculum and funding of education; and
- the trade unions will be aggressive in defence of each young person's right to a "general education" but supportive to increased opportunity and a better start for young people.

It would be a mistake to be too prescriptive about the forms and organisation such a project might take in any locality, provided it is distinct and visible in the locality:

- expectations for the curriculum of each project should be set within a broad framework of families of skills (the Appendix is an example of such a framework) and appropriate certification by, for example, City & Guilds, TEC and BEC (and Scottish equivalents); and
- it would be a mistake to insist on attaching a project to any one institution in any locality as a grouping or network of institutions, facilities or premises could be as suitable, efficient and cost effective, if not more so.

..../Cont.

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- 4 -

Whoever else is involved, the programme must involve employers. They must be part of

- design
- delivery (e.g. by offering work experience, use of facilities, seconded staff)
- management (nationally and locally)
- hopefully funding, in cash or in kind.

How exactly a project is run (and hence its design also) and who should be involved and how, can only be determined locally. But criteria and guidelines must be determined nationally.

Methodology: An Approach

5. These considerations suggest the following outline approach:

- (a) select promising localities where chances of success are enhanced by the presence of local leaders, an education authority, local industrialists or firms and particular individuals likely to make a success of a demonstration project (one example might be Coventry, another might be Somerset);
- (b) identify a local project Chairman (preferably an employer) and a first local project organiser (seconded from, for example, the education authority) and supporting staff (seconded from a variety of backgrounds: industrial, commercial, educational, Skillcentre instructor);
- (c) meantime determine national criteria for funding and guidelines;
- (d) get a local outline plan for the project and have it submitted to, and approved by, a local management group chaired by the Chairman of the project with a membership determined locally;
- (e) submit the plan for national approval and determination of Exchequer contribution; and
- (f) implement the plan and report progress from time to time nationally.

Management

6. At national level there must be a small, full-time but high calibre management team (located in London and housed together) whose task will be to design the programme, to establish the planning system described above, to determine funding for individual projects and to monitor progress.

..../Cont.

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The team should be led by an outstanding person from the education and training sector. Such a person will be difficult to find and securing his or her release (let alone early release) will be even more so. A direct request at the highest Ministerial level will be necessary.

The team itself (about half a dozen strong) should complement each other and should consist of energetic high flyers from the following kinds of background:

- administrative civil service
- HMI
- teacher
- college tutor
- training manager from industry or, for preference, commercial or service sector
- private sector trainer (e.g. ICL, etc.)
- accountant

Team members should be seconded, initially for two years.

The team should report to the Chairman of the MSC who, in turn, would be responsible to a joint group consisting of the Secretaries of State for Employment, Education & Science, Scotland and Wales, and chaired by the Secretary of State for Education.

Whatever the reporting arrangements, it will be necessary to establish a "national steering group" whose members should be handpicked rather than representative, but who should include identifiable figures of stature from LEAs, the teaching profession (and teaching unions), top employers and one or two independent figures (preferably young).

Evaluation will be essential - and prompt and running evaluation at that. Several institutions and individuals have a lot to offer here, all better known to DES than to anyone.

Funding

7. The following principles should apply:

- (a) no special student support other than allowances already available to families and to those young people who qualify for them;
- (b) an annual specific grant to each project but continuity of funding for each project guaranteed for five years; and
- (c) contributions from LEAs, employers or other sources, in cash or kind, welcomed.

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Estimating costs is very difficult, not least because of uncertainties about an LEA contribution from its own funds. On the assumption that there would be 1,000 students in each project, the annual grant necessary for each project might be £5 million when fully operational making, say, some £50 million for the annual cost of the programme as a whole. Against this could be offset about half that figure, which might have been spent on the young people anyway whilst they were at school and/or in college or the Youth Training Scheme. Net additional expenditure might then be of the order of £25 million for 10 local projects. The first year costs would be about one quarter, together with the necessary capital expenditure.

Timetable

8. If September, 1983, is the start date, we must begin immediately. An outline timetable might be:
 - (a) by end-November, get together management team;
 - (b) by Christmas, identify localities and identify and have in place Chairmen for each locality and one or more local project organisers for each locality;
 - (c) by end-January, complete outline local plans and agree funding for each locality;
 - (d) February to June: local preparations including training of staff;
 - (e) open doors to first students on 1st September.

The programme is novel and if it goes too far, too fast, it will merely reproduce existing offerings with existing curricula, materials, premises and personnel. That is not the intention. It should be possible for each project to make a start in September, 1983, but it will be difficult to bring in all at once all age or ability levels and the whole range of training families.

Next Steps

9. The immediate next steps are two:
 - to determine whether the programme is to proceed and, if so, to what scale and to what timetable; and
 - to determine whether any legislation is required and, if so, the consequences.

Thereafter, three key early tasks are:

- to announce the programme;

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- to identify a programme manager and secure his or her release; and
- to determine and agree a list of localities for projects.

Conclusion

10. The programme is bold and potentially far-reaching in its consequences. It is also difficult and there are risks. There is no doubt that the time is right, that pre-conditions for success exist in at least the number and different kinds of localities needed to constitute an impressive total demonstration programme, and that the programme would command widespread employer and public support.

Securing targets in the timescale suggested would, however, require personal backing from the highest levels, a task force mentality and style of operation and a willingness to cut through red tape to solve problems on the way.

David Young
October, 1982

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ANNEX 1

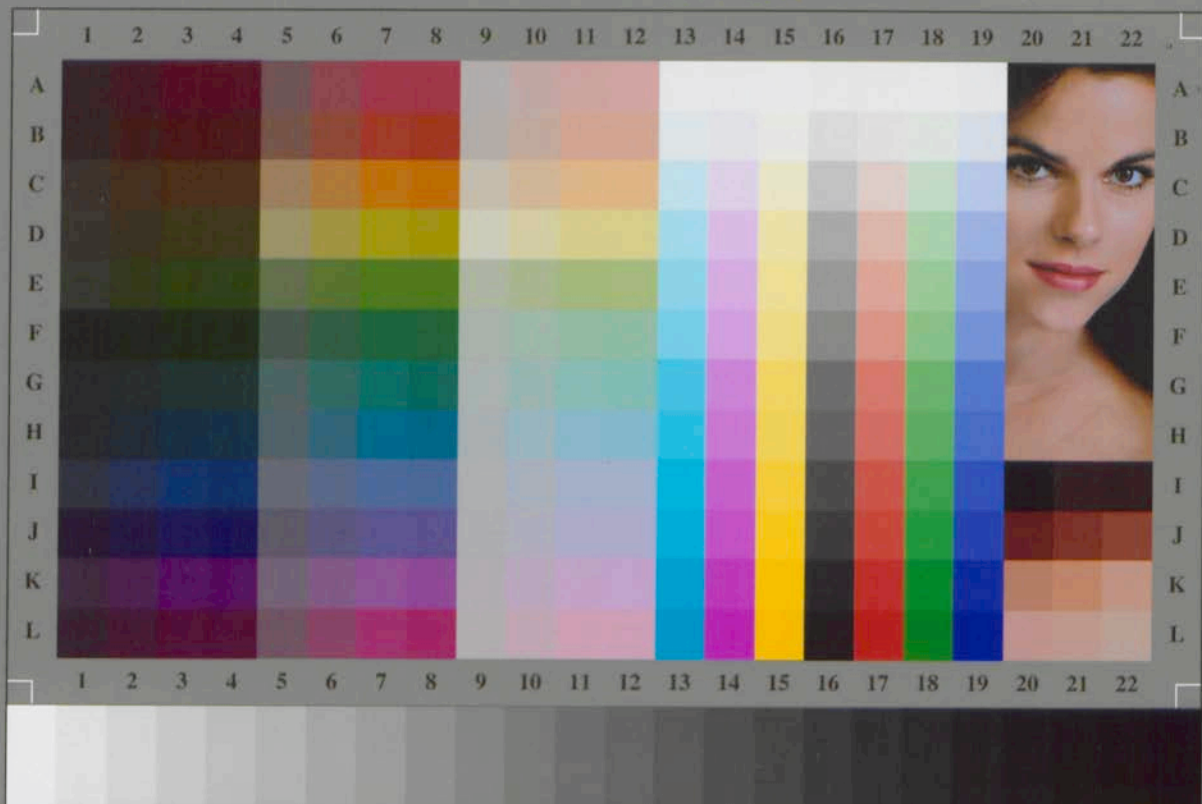
A Possible System of Occupational Training Families

1. Administrative, clerical and office services occupations.
2. Agriculture, horticulture, forestry and fisheries occupations.
3. Construction and extractive occupations.
4. Craft and design occupations.
5. Electronic, electrical and mechanical engineering occupations.
 - (a) manufacturing and assembly occupations
 - (b) installation, maintenance and repair occupations.
6. Food preparation and service occupations.
7. General manufacturing and processing occupations.
 - (a) general manufacturing occupations
 - (b) processing occupations.
8. Personal service and sales occupations.
9. Community and health services occupations.
10. Technical and scientific occupations.
11. Transport services occupations.

(Source: "Occupational Training Families", Institute for Manpower Studies, April 1981; A study commissioned by the Manpower Services Commission.)

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