

PREM 19/1012

SECRET

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PART 3

Confidential Filing

Policy on Education
Expenditure

278

EDUCATION

Pt. 1 : MAY 1979

Pt. 3 : JULY 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2.11.83							
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8.11.83							
11.11.83							
15.11.83							
19.12.83							
19.12.83							
3.1.84							
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PART ENDS							
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PART 3 ends:-

DB to DES 19.12.83

PART 4 begins:-

J Redwood to PM 3.1.84

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
H (82) 37	23.7.82
H (82) 14th Meeting, Minute 1	28.7.82
H (83) 3	24.1.83
H (83) 2nd Meeting, Minute 1	31.1.83
E(LF)(83)4	23.83
E(LF)(83)5	8.3.83
E(LF)(83) 2nd Meeting, Minutes	14.3.83
L(83) 84	12.10.83
LCA to MSC 99(83) 18V Meeting, Minute 2	26.10.83

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 *Wayland*

Date *27 March 2013*

PREM Records Team



File 10

10 DOWNING STREET

From the Private Secretary

19 December 1983

LOCAL AUTHORITY HIGHER EDUCATION

The Prime Minister was grateful for your Secretary of State's minute of 16 December about local authority higher education.

DAVID BARCLAY

Miss Elizabeth Hodkinson
Department of Education and Science.

RH

LCENO

(2)

Prime Minister

To note.

MT

DWB
16/12

PRIME MINISTER

LOCAL AUTHORITY HIGHER EDUCATION

This is to report progress on improving value for money in Local Authority Higher Education (LAHE).

When we took office in 1979, there was no curb on spending in LAHE: it was all pooled between local authorities without limit. Nor was there any machinery for promoting quality and efficiency, other than through the efforts of the hard-pressed HM Inspectorate. We acted quickly to remedy this. In 1980 we enacted legislation to limit the expenditure on LAHE that could be pooled, and to control its distribution. In 1982 I set up a body in partnership with the Local Authority Associations (LAAs) to advise me on how to get the best out of the money available.

This body - the National Advisory Body (NAB) - has now delivered a plan for LAHE in 1984-85. The plan is not perfect, but it is a real advance. It provides for the maintenance of the age participation rate of students nationally in HE - offsetting the effect of the reducing admissions to universities and elsewhere - and at the same time for a substantial shift of provision towards science and engineering and away from arts and social studies. It makes a start on streamlining LAHE by building up the strengths of its major institutions and bringing about the closure of a number of courses, in some cases leading to the closure or merger of whole colleges. The NAB's programme of future work holds out the prospect of further progress on all of these aspects in future years.

Some of the closure proposals have, understandably, aroused a good deal of local opposition. But they have been carefully debated, and have been endorsed by the LAAs, whose participation as our partners in this exercise is in my view a considerable success story.

I have decided to accept the NAB's proposals in their entirety, and to announce my decisions on Monday. I enclose a copy of the statement I propose to make to the House.

I am copying this minute to Nigel Lawson, George Younger, Nicholas Edwards, Patrick Jenkin, Norman Tebbit and Tom King.

KS.

16 December 1983

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DRAFT PQ ANNOUNCEMENT

To ask the Secretary of State for Education and Science if he is able to announce his decisions on local authority higher education provision in 1984-85 and the distribution of the 1984-85 capped advanced further education (AFE) pool in the light of the National Advisory Body's advice; and if he will make a statement.

SIR KEITH JOSEPH

I have today written to the Chairman of the Committee of the National Advisory Body (NAB) accepting their advice in its entirety on student numbers and programmes of academic work in local authority higher education (LAHE) in 1984-85. I have also accepted the NAB's advice on the associated financial allocations for local education authorities (LEAs) from the 1984-85 AFE quantum. Letters are today being sent to local education authorities and institutions notifying them of my decisions. Copies of my letter to the NAB Committee Chairman and of the NAB's report and detailed advice on individual local authorities' and institutions' academic plans, together with details of the 1984-85 pool allocations, have been placed in the libraries of both Houses.

The NAB's advice to me was in the context of the AFE quantum for 1984-85 of £580.5 m, which I announced in the House on 17th November. This figure represented a significant increase in expenditure compared with previous plans, intended both to allow local authority institutions to provide for more students in 1984-85 than the NAB Committee had earlier judged that they could reasonably admit, and to assist the NAB in facilitating effective rationalisation within LAHE in 1984-85 and later years. As I indicated then, this implies continuing reductions in lecturer numbers and unit costs across the LAHE sector.

Within this framework, the NAB recommended a slightly higher full-time and sandwich student intake in 1984-85 than in 1982-83 thereby providing for the age participation rate nationally to be maintained at around its present record level. A key feature of the NAB's recommendations is a significant shift in subject balance towards science, engineering and other areas of particular value to employers, together with a strengthening of technician level work. These measures represent a substantial redirection of the efforts of the sector, and of institutions within it to meet more closely the needs of industry, commerce and the professions. The recommendations also include a measure of

rationalisation, the need for which is reinforced by resource constraints and the prospective decline in student numbers. I endorse the further work relating to 1985-86 proposed by the NAB, with its continued emphasis on rationalisation.

The principles underlying the distribution of the capped AFE pool for 1984-85 in association with the target numbers of students proposed by the NAB, which I have now endorsed, represent a further refinement of the methods developed in recent years. The resulting allocations will place the greatest pressure for economies on the high spending institutions and afford a substantial measure of protection to the more economical institutions.



CE NO

Prime Minister

Settled along lines proposed at gov meeting

AT 15/11

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

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

15 November 1983

MT

Dear Andrew,

Universities

Thank you for your letter of ~~11~~ November.

In the light of the views expressed by his colleagues, my Secretary of State has decided to accept the Chief Secretary's proposal that he should withdraw his additional bids and that the baseline should be reduced by £36m in the last two years. He thinks it would be appropriate to make cuts of £14m in 1985-86 and £22m in 1986-87. I understand that Treasury officials concur. It will be necessary to give the universities very early notice of the Government's decisions and we shall be in touch with the Treasury about the manner and timing.

The Secretary of State is considering how best to mount an efficiency study as proposed by the Chief Secretary.

I am copying this letter to those who had yours.

Yours,

Elizabeth

MISS C E HODKINSON
Private Secretary

Education : Policy Pt 3

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OTTAWA

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NAPM AT 15/11



Treasury Chambers, Parliament Street, SW1P 3AG

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

15 November 1983

Dear Andrew

UNIVERSITIES

Elizabeth Hodkinson copied to me her letter of 15 November.

The Chief Secretary is content with the Secretary of State's proposals on the distribution of the reductions between the two years.

Taken together with the changes in the education and science programme already agreed by colleagues, the proposals will involve the following adjustments to the baseline:-

1984-85	1985-86	1986-87
+ £21 million	- £8 million	- £30 million

The Chief Secretary looks forward to receiving in due course the Secretary of State's suggestions on the conduct of the proposed efficiency study.

Yours sincerely

J. Gieve

JOHN GIEVE
Private Secretary

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B/C: Mr Mount
Mr Letwin

10 DOWNING STREET

From the Private Secretary

11 November, 1983

UNIVERSITIES' CURRENT EXPENDITURE

The Prime Minister held a meeting today to discuss the provision for universities' current expenditure which was unresolved at Cabinet the previous day. Present were your Secretary of State, the Chancellor of the Duchy of Lancaster, the Chief Secretary, Sir Robert Armstrong and Mr. Gregson.

The MISC Group had recommended a cut of £50 million in 1986-87. Your Secretary of State felt that he could not deliver such savings in this timescale without incurring redundancy payments which would generate additional costs in the next two years.

The Prime Minister complained that the additional information supplied after yesterday's Cabinet meeting did not provide adequate information on which to base the discussion. There was no breakdown of costs between pay of academics, pay of non-academics and non-staff costs. The note provided discussed natural wastage only in relation to academic staff. Nor was there any explanation of the suggestion your Secretary of State had made that it might be necessary to close universities.

In discussion, the argument that the saving had to be found solely from academic pay was challenged. It was noted that the total university current expenditure of about £1,450 million broke down into £550 million pay for academics, £350 million pay for non-academics and approximately £450 million on non-staff costs. Of the £50 million savings sought the pro-rata share of academics' pay would be approximately £18 million. It was also noted that natural wastage of academics could save £16 million a year though this was a theoretical maximum as some posts would have to be refilled.

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/Your

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- 2 -

Your Secretary of State explained that the suggestion that universities might have to be closed was not an idea out of the blue; his predecessor as Secretary of State had discussed this option when considering savings on higher education.

In further discussion it was noted that your Secretary of State during the course of the bilaterals, had offered to make savings of up to £36 million. This was on condition that the base line was increased to accommodate certain unavoidable additional costs. These arose mainly from an adverse relative price effect, non-staff costs tending to rise 1½ per cent a year faster than inflation generally, higher national insurance contributions, building maintenance, and clinical salaries. It was argued that allowing for a relative price effect would validate inefficiency in purchasing. In other programmes, such as defence, the relative price effect was now being disallowed as a basis for additional bids.

The Chief Secretary suggested that your Secretary of State should consider savings of £36 million spread over the last two years, on condition that he gave up the claim to the increases in the base line. In addition an efficiency study should be conducted by a major firm of accountants.

Summing up, the Prime Minister said that the Secretary of State should consider the Chief Secretary's offer over the weekend and should confer with the Chief Secretary on Monday. The efficiency study referred to should be set in hand.

I am sending a copy of this letter to Janet Lewis-Jones (Lord President's Office), Alex Galloway (Chancellor of the Duchy of Lancaster's Office), John Gieve (Chief Secretary's Office), Richard Hatfield (Cabinet Office) and to Peter Gregson.

(A. Turnbull)

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

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16

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

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

10 November 1983

Dear Andrew

UNIVERSITY FUNDING 1986/7

As requested, this letter contains information relevant to the meeting which the Prime Minister is chairing at 11 am tomorrow. It has not been possible for my Secretary of State to consider its content before despatch.

2. Existing expectations of academic staff wastage (from all causes) in 1984/5 and 1985/6 are 500 per year (under 2% of total academic staff employed). About one half of these posts could be left unfilled without major damage. However, these savings have already been more than offset by the decision to deny Additional Bids which would have met unavoidable cost increases.

3. If, therefore, a £50m saving in 1986/87 is to be found from reduction in academic staffing, it must come from losses beyond natural wastage, in other words by declaring staff redundant. This would mean approximately 2,500 redundancies over the years 1984/5 and 1985/6. It is largely immaterial in considering the resulting cost implications whether the redundancies are found by closure of institutions, closure of departments within institutions, removal of groups of staff or loss of individuals, or any combination of these. In any event the average level of compensation needed would be around £35,000 per individual.

4. The upshot of this is a requirement for nearly £90m for redundancy money over the two years 1984/5 and 1985/6.

5. The question then arises, whether some part of the £50m could be found by savings on non-pay items. Of these, rates and National Insurance are not negotiable. Of the remainder, maintenance and repair of buildings and laboratory equipment have already been cut back, creating the threat of heavy future expenditure: it is doubtful if they

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should be cut further. Likewise there are grounds for thinking that, under the pressures of the 1981 cuts and of subsequent failure to provide for some inescapable cost increases, universities have already reduced heavily their expenditure on such items as heating, postage and book purchases. Some further savings in these areas will in any case be needed to cover those future unavoidable cost increases not covered by staff savings.

6. I am copying this letter to the Private Secretaries to the Chief Secretary, Lord Cockfield and Sir Robert Armstrong.

Yours Sincerely
Henry Bird

MR J F BIRD
Private Secretary

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ADDITIONAL INFORMATION ON UNIVERSITY EXPENDITURE

University Closures

1. In 1981, faced with 8½ per cent cuts in grant over three years, the UGC decided to make selective cuts affecting all universities. A £50m cut in 1986-87, coupled with the loss of money for unavoidable expenditure increases, represents a 5 per cent cut in one year. To meet this degree of retrenchment and to limit damage to the system as a whole it is thought probable that the UGC would want to close at least two, perhaps four universities. The UGC would advise on which universities should close. The decision however would have to be the Government's. An early announcement would be essential; also, on 1981 advice, legislation would have to be introduced to ensure orderly closure and to remove uncertainty over the disposal of assets.

Student Intakes

2. The precise effect on student intakes cannot be gauged until the UGC's advice on how to meet a £50m cut was known. If universities were to close, intakes taken from 1984-85 would stop and students on course in 1986-87 would be transferred to other universities, whose intakes would have to be limited to give room.

3. Over the system as a whole up to 25,000 places would be lost. Because courses mainly last three or four years, student

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number constraint has to be applied to entries. Admissions over the two years 1984-85 and 1985-86 would have to be limited by 25,000. These are the years of peak demand.

4. A particular difficulty is that the UGC, at the Government's prompting, was about to announce an increase in intakes of 3,500 from 1984-85, following publicly invited bids from universities. 2,500 were to be in science and technology to help achieve a further shift in the direction of economically valuable courses.

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ADDITIONAL INFORMATION ON UNIVERSITY EXPENDITURE

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SECRET



10 DOWNING STREET

Prime Minister

DES have provided a further note. It covers natural wastage but does not:

(i) explain KJ's threat that universities may have to close

(ii) set out the figures on the cuts in student admissions.

I have asked that he comes to the meeting armed with this information

This is a disgracefully letter.

AT

10/11
independents

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de no

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

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

10 November 1983

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Pay of non-academic staff

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6. I am copying this letter to the Private Secretaries to the Chief Secretary, Lord Cockfield and Sir Robert Armstrong.

Yours Sincerely
John Bird

MR J F BIRD
Private Secretary

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Academics
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10 DOWNING STREET

Prime Minister ^①

I have minuted you separately on student awards. Sir Keith has now written defending his position on university current expenditure.

I attach copies of your AUT letter and Sir Keith's letter to the UGC warning that the Government had "hopes" but could give "no undertakings".

If the full savings were achieved on student awards, a small concession could be made here. Alternatively, you could suggest the slight easing of the awards package (i.e. £1:7 throughout the parental contribution scale) but not both.

AT 9/11

PRIME MINISTER

Public expenditure : universities

I should like you to know why I shall resist in Cabinet tomorrow the proposal from MISC 99 for a reduction of £50m in university current expenditure in 1986-87.

With the efficiency savings which I have already accepted (starting in 1984-85) and which I must make to meet unavoidable cost increases it would amount to a reduction of at least 5 per cent in one year, on top of all that has gone before. This would be impracticable without either additional funds of up to £90m in the next two years to achieve before 1986-87 the necessary redundancies or a cut of well over 10 per cent in non-staff costs, which would do severe damage to teaching and research, especially in the more costly subjects like engineering and science.

*Just
down what
h/* A cut of this order would require fewer student admissions from next autumn when demand will be at its peak. *111 →*

By the end of this decade, as the 18 year old age-group declines, and if we can harness private funds, we should have been able to make significant reductions in public expenditure on the universities. But for 1986-87 I believe that a cut of £50m would require us to announce at once very different policies, on access, quality and research, from those on which we won the Election.

I am sending copies of this minute to the Lord President, the Chancellor of the Exchequer, the Chief Secretary and Sir Robert Armstrong.

KJ

9 November 1983

SECRET

12

PRIME MINISTER

Student Awards

I reported to you that DES officials did not like the Policy Unit compromise (details of which are attached) and took the view that their Secretary of State would reject it. This was because it took more off the general level of grants in order to ease the burden on those with higher incomes.

I have investigated one further option which is to take the MISC 99 package but to keep the slope of the scale for parental contributions at one in seven throughout rather than steepening it to one in six above £9,000. This still leaves the minimum award being halved but it eases the burden on those between about £15,000 and the point where the minimum award comes in i.e. around £20,000.

Because it does not recoup this easing by reducing the overall grant it produces smaller savings than the MISC 99 package as follows

+£5 million

+£10 million

+£10 million

These are not insignificant sums for the Treasury to swallow though they might be induced to do so if put under sufficient pressure. If you felt that some easing of the scale for middle income groups was essential you could suggest it as a compromise at Cabinet.

My advice, however, would be to accept the MISC 99 package. Which course do you prefer?

AS

8 November 1983

SECRET

PRIME MINISTER

MS

You will need to consider whether to endorse the £50 million cut in university current expenditure in 1986/87 which the MISC 99 group is recommending. Sir Keith Joseph is arguing that this is inconsistent with your letter to the AUT of 7 June - copy attached.

There are several points to note:

- (i) The letter refers to higher education as a whole and not just to university current expenditure;
- (ii) Sir Keith Joseph's letter to the UGC - copy attached - has effectively put the universities on notice that the Government may not be able to adhere to "level funding" and has set out quite comprehensively why some reduction might be necessary. You could simply say that the eventualities of which Sir Keith was warning have indeed come to pass;
- (iii) Your AUT letter spoke of "intentions", which Sir Keith has described as "hopes". This falls a good deal short of the terms in which the commitment was made on NHS expenditure;
- (iv) It will be hard for anyone to tell from the next White Paper, if the tables follow the traditional layout, (though this has not yet been decided upon) whether or not any cuts have been inflicted on higher education in the final year. There will on past form be one single figure for higher and further

/ education

education, including non-advanced, which
is getting on for £1 billion. A copy of
last year's table is attached.

AT

Andrew Turnbull

4 November 1983

SECRET

Prime Minister

11

Some interesting alternatives for you to ponder.

PRIME MINISTER

I think we should put them to K.T.

AT 4/11

STUDENT AWARDS - ALTERNATIVE PACKAGES

Oliver's letter

There are three serious possibilities, each of which achieves the required savings of £25 million in 1984/5, £45 million in 1985/6 and £50 million in 1986/7.

Compendium

1. Sir Keith Joseph's Proposal

Sir Keith Joseph's proposal was as follows:

- (i) Halve the minimum award from £410 to £205;
- (ii) Uprate the value of the grant by 4%/3%/2%;
- (iii) Steepen the parental contribution scale to £1 in every £6 of residual income beyond £9,000;
- (iv) Revalue maximum level of income qualifying for full grant by 7%, 5.5%, 5%.

2. Treasury Package

The Treasury have offered a number of solutions, of which the most promising is:

- (i) Freeze minimum award at its present level;
- (ii) Freeze maximum grant in 1984/5, and raise it by 4% and 3% in the two following years;

/ (iii)

SECRET

- (iii) Revalue maximum level of income qualifying for full grant by 5%, 4%, 3%;
- (iv) Set parental contribution scale at £1 in £7 for all levels of income above £7,100.

3. Policy Unit Package

The advantage of Sir Keith's proposal is that it protects the poor - but it halves the minimum award overnight.

The advantage of the Treasury package is that it keeps the minimum award intact. But it hits the poorer students hard, since it gives them no increase at all in the first year. This would make us vulnerable to charges of inequity, and might turn many students against us.

It would be possible to steer between the two by adopting the following package:

- (i) Increase maximum grant over the three years by 3%, 2½%, 2%;
- (ii) Steepen parental contribution scale to 1:7 throughout;
- (iii) Instead of cutting the minimum grant from £400 to £200 immediately, reduce it more gradually - i.e. £300, £250, £200; over three years.
- (iv) Revalue maximum income qualifying for full grant by 5%, 4%, 3%.

/ This package

This package, though by no means perfect, has several advantages:

- (i) The minimum award declines less rapidly than in the DES Scheme, thereby offering some protection to middle-income families; those with incomes between £17,000 and £20,000 do particularly well in the first 2 years;
- (ii) The maximum grant is still increased at a reasonable rate, protecting the poorest;
- (iii) The scale of parental contributions is extremely simple, and not regressive.

5740900
The whole package might, I think, be even more saleable if there were a removal of grant for parents with residual incomes above, say, £50,000. True, this would make the administration of the system slightly more complicated; but it would also make life more difficult for any Opposition spokesman who accused us of favouring the very rich.

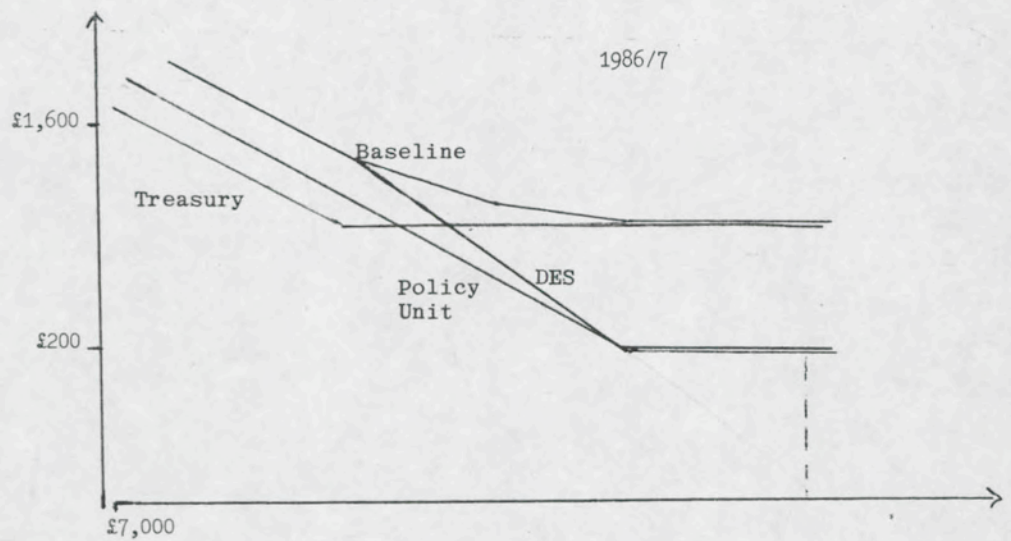
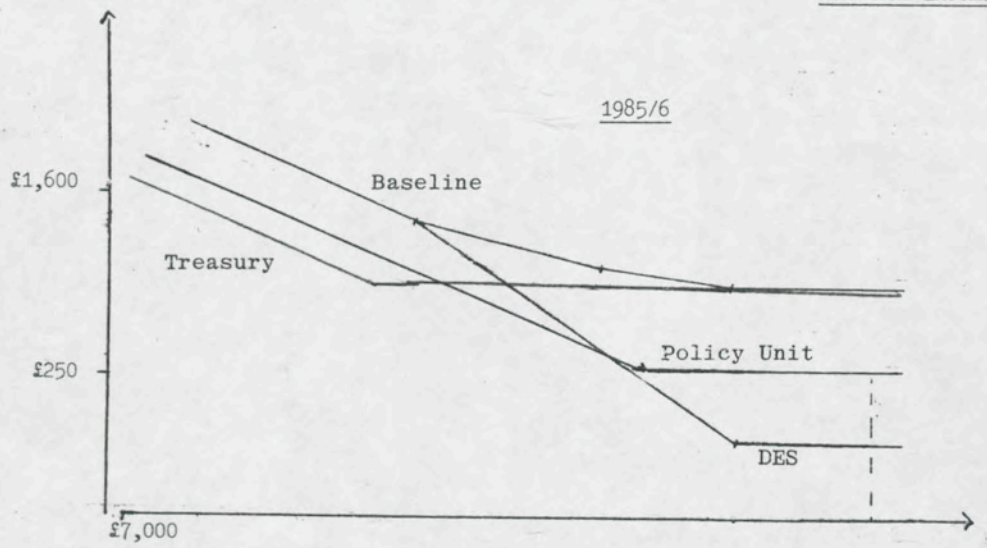
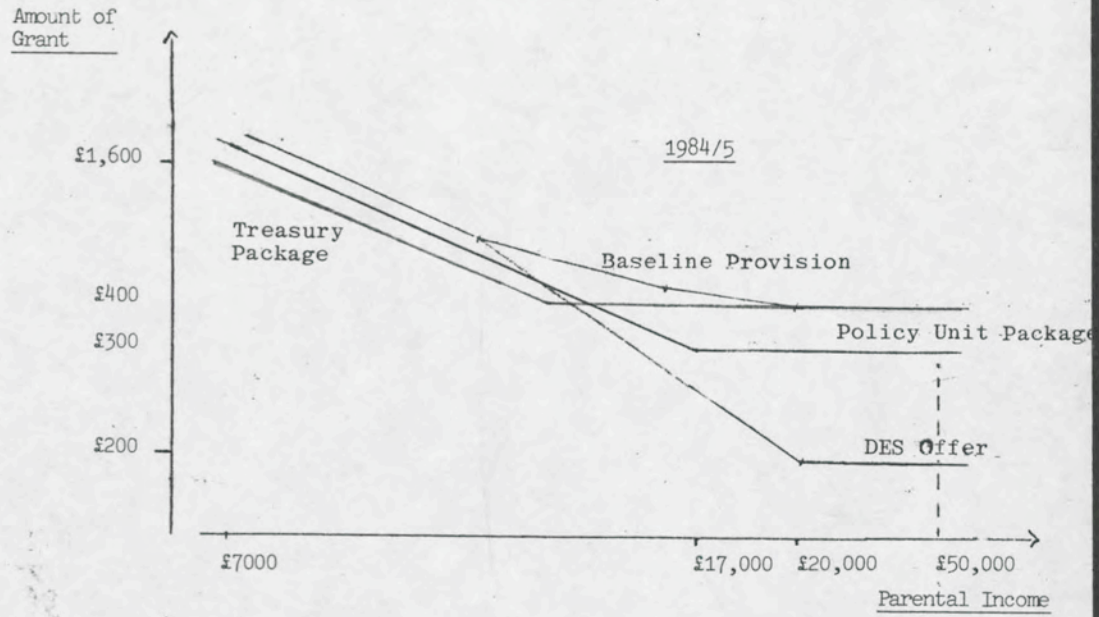
I attach a schematic graph (see Annex) which may make it easier to visualise the various possibilities.

For reasons of diplomacy, the Treasury and the Policy Unit have both avoided consulting DES officials and their computer. We have all been working on the basis of rough Treasury calculations, which would need to be thoroughly checked.

Oliver Letwin

4 November 1983

ANNEX : THE THREE OPTIONS - , PICTURED OVER THE THREE YEARS



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PUBLIC EXPENDITURE : STUDENT GRANT OPTIONS

Families with one award holder

Parental Contribution

Residual (note 2) Income	(a) Current position (1983/4)	(b) MISC 99 Recommendation	(c) Chief Secretary's Option
£	£	£	£
10,000	416	458	458
15,000	1008	1291	1291
20,000	1392	1810	1705
25,000	1665	1810	1705
30,000	1665	1810	1705

Families with two award holders (Note 3)

Residual Income	(a) Current position (1983/4)	(b) MISC 99 Recommendation	(c) Chief Secretary's Option
£	£	£	£
10,000	206	248	248
15,000	798	1081	1081
20,000	1182	1914 (Note 4)	1914
25,000	1567	2747	2747
30,000	1951	3581	3410

Conclusion: The difference between the MISC 99 recommendation and the Chief Secretary's variant occurs in practice only for 1 award-holder families with residual income in excess of £20,000 and 2 award-holder families with residual incomes in excess of £30,000.

CONFIDENTIAL

Notes:

1. Figures are based on a London student with £100 extra grant by way of allowances.
2. A rough translation into gross income can be made as follows:

income < £14,500	-	add £1000
income £14,500-£19,000	-	add £2000
income > £19,500	-	add £3000
3. Where a contribution is assessed for a family with 2 award holders, the Regulations provide for a £210 reduction in that contribution.
4. The number of families with 2 award holders and residual incomes over £20,000 is about 2,000; the bulk of these will have incomes below £25,000.

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

4 November 1983

Andrew Turnbull Esq
10 Downing Street
LONDON SW1

Dear Andrew,

STUDENT GRANTS

At the Chancellor's meeting with the Prime Minister yesterday there was some discussion of the MISC 99 proposal on student grants, and possible alternative packages. As agreed, I now attach a new note by Treasury officials setting out some new options. As you asked, the DES have not been involved in this exercise.

*Yours ever,
John Kerr.*

JOHN KERR

SECRET

STUDENT AWARDS - ALTERNATIVE PACKAGES

Sir Keith Joseph's proposal was as follows:

- i) Halve the minimum award from £410 to £205
- ii) Uprate the value of the grant by 4%/3%/2%
- iii) Steepen the parental contribution scale to £1 in every £6 of residual income beyond £9,000. Thresholds would be revalued by 7%/5½%/5% in line with assumed movement in average residual incomes.

Savings achieved would be £25 million/£45 million/£50 million

2. We have considered alternatives as follows:

- i) Freeze minimum award at its present level
- ii) Uprate grant by 0%/3%/2% or 0%/4%/3%
- iii) Revalue parental scale threshold by 0%/3%/2% or 0%/4%/3%
- iv) Adjust parental contribution scale so as to produce overall net savings similar to those of Sir Keith's package.

3. Within this framework:-

- a) uprating both grant and parental contribution thresholds by 0%/3%/2% would achieve on its own savings of about:
£25 million/£45 million/£50 million.

There would be no need to alter the present parental contribution scale (ie £1 in every £7 of additional residual ^{income} / from £7,100; £1 in every £8 from £9,000; £1 in every £13 from £14,300).

- b) uprating both grant and threshold by 0%/4%/3% would produce savings of about:

£25 million/38 million/38 million.

Changing the contribution scale to £1 in every £7.50 above £9,000 would increase the savings to about:

£30 million/£45 million/£45 million.

4. If however it were judged acceptable for the parental contribution scale to be set at £1 in £7 for all levels of income above £7,100, and the grant were uprated by 0%/4%/3%, it would be possible to uprate the contribution thresholds by 5%/4%/3%, ie in line with assumed inflation and still secure savings of about:

£30 million/£45 million/£50 million.

5. All figures are indications of orders of magnitude only. Precise costings can only be done using the DES model.

H M Treasury
4 November 1983

MR TURNBULL

cc Mr Mount

PUBLIC EXPENDITURE SURVEY: UNIVERSITY CURRENT EXPENDITURE

I understand that the Prime Minister is still considering Sir Keith Joseph's objections to MISC 99's proposed cut of £50 m. in university current expenditure for 1986/7.

The DES minute refers to the Prime Minister's letter of 7 June to the AUT. That letter contained a verbatim transcription of a "Question of Policy" paper produced by the DES before the Election. The quasi-commitment that the letter contained was made on several other occasions by DES Ministers.

What is to be done? There are two unpalatable possibilities:

1. Concede to the DES, and sacrifice the £50 million.
2. Announce explicitly that, in order to contain public expenditure, we have had to adjust our plans; (ie, we now intend to hold the real level of university expenditure steady in 1985/6, but to let it fall by some 3½ per cent in 1986/7).

There is, however, a way of steering between the Scylla and the Charybdis:

3. In the educational world, "real terms" has come to mean "value, allowing for changes in both pay and prices". This (usually unfortunate) definition plays into our hands in the present case, since it means that "real terms" expenditure on universities is in inverse proportion to the level of university pay. And pay accounts for some two-thirds of all university current expenditure. Might the Prime Minister, therefore, consider a cut of c.£30 m? This would enable her to lay the whole blame for any "real terms reduction" on whatever pay rise was negotiated by university teachers. If the AUT accepted a wage freeze in 1986/7, the cash position for that year would be sufficient to maintain the "real terms" level established in 1985/6.

I do not suggest that this solution would be ideal; but it might make the best of a bad job.

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✓ O. Letwin.

NOTE FOR THE RECORD

PUBLIC EXPENDITURE SURVEY - EDUCATION

Sir Keith Joseph called on the Prime Minister today to explain the package on education which had been negotiated with MISC 99. The latter had offered:

- i. £5 million a year on local authority current expenditure;
- ii. nothing on university capital expenditure;
- iii. nothing on university current expenditure in the first two years and a cut of £50 million in year three;
- iv. savings on the rate and entitlement of student grants of £25 million, £45 million and £50 million.

He had accepted i. and ii. but had reserved his position on the cut of £50 million, pointing out that it was inconsistent with the Prime Minister's letter of 7 June to the AUT.

On student grants, he had agreed a package with MISC 99 comprising:

- i. halving the minimum award;
- ii. a tougher means-test scale;
- iii. increases in the grant 1% below inflation each year.

He was seeking the Prime Minister's approval of this package. He argued that he could not defend savings from the tougher means-test scale without making a cut in the minimum award as this would have a bigger effect on poorer families than richer families. He also argued that there was no shortage of applicants for places in universities. Also fees were no longer charged for tuition.

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/The Prime

CONFIDENTIAL

- 2 -

The Prime Minister noted that the minimum award had been increased from £50 as a quid pro quo when child tax allowances were replaced by child benefits which were not payable in respect of older children. However, in view of the difficulties Sir Keith had outlined, she reluctantly accepted his proposal.

She would think further about the proposed cut in university current expenditure.

AT

2 November 1983

CONFIDENTIAL

PRIME MINISTER

Sir Keith Joseph has been conducting negotiations with MISC 99. He was offered:-

- (i) £5 million a year on local authority current expenditure;
- (ii) nothing on university capital expenditure;
- (iii) nothing on university current expenditure in the first two years and a cut of £50 million in the third year;
- (iv) net changes on student grants of + £21 million, + £11 million, and minus £8 million.

Sir Keith was asked to set out the cuts in student grants and entitlement underlying (iv).

He wrote back to MISC 99 (see attached letter) saying he could not accept a £50 million cut on (ii), which he argues is inconsistent with your AUT letter. On student grants he is prepared to move away from his original proposal of abolishing the minimum award. He now proposes halving the minimum award, a tougher means test scale, and increase in the grant one per cent below inflation in each year.

attached

He saw MISC 99 again this morning. He is accepting their package with the exception of the £50 million on university current expenditure. The Group's recommendation to Cabinet on student grants will be along the lines proposed by Sir Keith above. He is coming to see you at 1530 today for 15 minutes to explain the proposals on grants, and in particular, why he feels some cut is necessary in the minimum award. He is strongly opposed to making savings from other parts of his programme to finance any shortfall on student grants.

/On this

On this he might find some support from the rest of the Group.
The alternative which the Chief Secretary had proposed ^(a 25% cut in the man award) would
produce £5 million less in the second and third years.

AT

ANDREW TURNBULL

2 November, 1983

STUDENT GRANTS: MEANS TEST SCALE

	<u>Old</u>	<u>Proposed</u>
£0 - £7,100	Nil	Nil
£7,100 - £9,000	£1 in 7	£1 in 7
£9,000 - £14,300	£1 in 8	£1 in 6
£14,300 -	£1 in 13	£1 in 6

Amounts are residual incomes



COPY NO 7

SE NO

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

1 November 1983

Dear Lord President,

MISC 99: Education and Science

Thank you for your letter of 31 October.

- will request is required

On university current expenditure, the proposed reduction of £50m in 1986-87, combined with your rejection of my additional bid of £18m, is equivalent to a 5 per cent cut in volume in that year. It would mean committing ourselves now to fewer students and, in view of your recommendation on science, to less research. It would also mean going back on the Prime Minister's well-publicised letter of 7 June to the Association of University Teachers, in which she said "the period of contraction" [in higher education] is now nearing the end.... the intention is to hold the level [of expenditure] steady in real terms after 1984-85." I cannot therefore accept this proposal.

On student grants, I continue to believe that the package I proposed in my letter of 28 October is right, politically and educationally. It means halving the minimum award in 1984 and abolishing it in 1985, together with a tougher means test in the middle and upper reaches of the scale. But I would be willing to accept an alternative yielding broadly equivalent or greater savings eg by halving the minimum award in 1984, with no further reduction thereafter, a tougher means test, as above, and increases in succeeding years of 4, 3 and 2 per cent (instead of 5, 4 and 3 per cent) in the cash value of other grants. This would yield savings of £25m in 1984-85, £45m in 1985-86 and £50m in 1986-87. It is much to be preferred to further reductions, beginning next year, in university current expenditure, which would be educationally and politically damaging, as indicated above.

/ I am

The Rt Hon Viscount Whitelaw PC CHMC
Lord President of the Council
68 Whitehall
London SW1A 2AT

SECRET

I am copying this letter to the other members of MISC 99 and to Sir Robert Armstrong. In view of my reference to the Prime Minister I am sending her also a copy, together with a copy of my letter of 28 October to you which set out my case on student awards.

Yours sincerely,

Elizabeth Hadfield

Approved by the Secretary of
State and signed in his absence

SECRET

8

SECRET



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

31 October 1983

Dear Keith

MINISTERIAL GROUP ON PUBLIC EXPENDITURE (MISC 99): EDUCATION AND SCIENCE
PROGRAMME

I promised at the end of our discussion with you on 26 October to write outlining the recommendations on the education and science programme which MISC 99 were minded to put to the Cabinet as part of our eventual report. I should like at the outset to express to you the Group's thanks for the very clear and helpful way in which you outlined your proposals and the arguments for them. We have also been much assisted by your letter of 28 October about student grants: as was recognized in the discussion, all the packages under consideration assume that there will be reductions in the cost of student grants of £20 million in 1984-85, £40 million in 1985-86, and £50 million in 1986-87.

The following paragraphs set out the Group's views on the issues which we discussed with you on 26 October.

Local Authority Capital Expenditure

In view of the many other pressures on public expenditure in general, and the need to reduce local authority expenditure in particular, the Group do not feel able to support any increase in the provision for capital expenditure on schools, and colleges of further education.

Universities - Capital

The Group do not feel able to recommend any increases here. They consider that priority expenditure should be accommodated within the existing programme.

The Rt Hon Sir Keith Joseph Bt MP

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Universities - Current

Again, the Group do not feel able to recommend any increase. They agree with the Chief Secretary that it should be possible to find efficiency savings by 1986-87; and indeed, I believe that you share this view, though you regard the Chief Secretary's proposals as over-ambitious. Subject to what is said below in the context of student grants, the Group intend to recommend savings of £50 million in 1986-87.

Science

After considering the arguments which you put forward for additional expenditure on science, and having regard to the conclusions of the Prime Minister's meeting on 19 October, recorded in her Private Secretary's letter of the same date, the Group do not feel able to recommend any increase here.

Student Grants

I am afraid that we do not think it likely that the Cabinet would endorse the proposals in your letter of 28 October. It is therefore necessary to look for other measures producing equivalent savings. There seem to be two possible approaches, which we should like to discuss with you.

The first would be a less severe package of savings on student grants, coupled with further savings on university current expenditure. I understand that some suggestions regarding student grants have been put to your officials by the Chief Secretary's.

The second would be to find the whole of the savings from further reductions in university current expenditure.

We realise that neither of these alternatives will be welcome to you; but we regard it as essential to find savings on the scale I have mentioned.

Changes Already Agreed

In earlier discussions you and the Chief Secretary had reached agreement on the following changes.

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	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>
<u>Additions</u>			
Student grants	+ 40	+ 50	+ 45
Science (International subscriptions)	+ 6	+ 8	+ 7
<u>Reductions</u>			
Grant-aided institutions	- 5	- 7	- 10
Student grants	- 20	- 40	- 50
Net effect	<u>+ 21</u>	<u>+ 11</u>	<u>- 8</u>

It transpired at our meeting that you had regarded these changes as involving agreed additions to the baseline in 1984-85 and 1985-86, whereas the Chief Secretary was expecting you to find offsetting savings in those two years. In view of the difficulties which you face in your programme, MISC 99 intend to recommend that you should not be required to find such savings. It would, of course, follow from what is said earlier in this letter that, to the extent that proposals for savings on student grants were not accepted, they would have to be replaced by savings on university current expenditure.

The net effect of these recommendations is to increase the baseline by £21 million in 1984-85 and £11 million in 1985-86, and to reduce it by £58 million in 1986-87. I realise that you will regard them as to some extent disappointing; but they are as far as MISC 99 felt able to go if we are to achieve the Cabinet's objective of sticking to the planning totals. I hope you will be able to accept them on that basis.

Once again, let me say how grateful I and the other members of MISC 99 are for your help.

I am sending copies of this letter to the Secretary of State for Scotland, the Lord Privy Seal, the Secretary of State for Trade and Industry, the Chancellor of the Duchy of Lancaster, the Chief Secretary and Sir Robert Armstrong.

John G. ...
...



file RB

10 DOWNING STREET

From the Private Secretary

31 October 1983

RAISING STANDARDS IN SCHOOLS

The Prime Minister has seen your Secretary of State's minute of 25 October. She strongly endorses his objective of improving teaching standards by pruning out weak Heads and teachers. However, this problem needs to be approached in the right way. She feels it would be wrong to pay teachers more for doing what they should be doing anyway and that it would be wrong to offer more money with no guarantee that any improvements would be delivered.

The Prime Minister welcomes the approach set out in your Secretary of State's minute. She is content that Philip Merridale should be authorised to negotiate new contracts for teachers on the understanding that no promises of extra money are made.

I am copying this letter to John Kerr (H.M. Treasury), John Lyon (Northern Ireland Office), John Graham (Scottish Office), Colin Jones (Welsh Office), John Ballard (Department of the Environment), Barnaby Shaw (Department of Employment), John Gieve (Chief Secretary's Office, H.M. Treasury), Mary Brown (Minister of State's Office, Privy Council Office) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

Miss Elizabeth Hodkinson,
Department of Education and Science.

RB



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

The Rt Hon Viscount Whitelaw PC CHMP
 Lord President of the Council
 68 Whitehall
 LONDON SW1A 2AT

28 OCTOBER 1983

Jan Willie.

I enclose a paper in response to MISC 99's request to me on Wednesday.

You will see that my preference is for the phasing out of the minimum award and a more logical means test for the parental contribution. It can be defended robustly because it both asks those most able to do so to bear a significantly higher proportion of the maintenance cost of higher education and at the same time protects the position of the less well off who might otherwise be debarred from taking it up. Peter Brooke and I are ready to defend it in these terms.

Some of our colleagues, especially the Prime Minister, would prefer not to reduce the minimum award. But without its abolition it would be impossible to construct a package that would both yield the required savings and be defensible in educational terms.

You will note from paragraph 7 that the maximum impact of the package I propose on the higher income groups is of the order of £500-£600 a year. But no household is required to pay more than one contribution even if there are two or more children in higher education at the same time.

I am copying this letter to the other members of MISC 99 and to Sir Robert Armstrong.

You can.

Kerr

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STUDENT GRANTS

On 26 October the Group asked me to indicate how the agreed savings on student grants (£20m in 1984-85, £40m in 1985-86 and £50m in 1986-87) reflected in paragraph 2 of MISC 99(83)4 might be achieved.

2. Mandatory awards to students in England and Wales, payable to students on first degree and comparable courses, will cost over £600m this year. The elements of the system to be considered when looking for savings are:

- (a) The main rates of grant.
- (b) The minimum award.
- (c) The parental contribution.
- (d) The differential between the home and away rates of grant.
- (e) The fees element of the award.

The savings which can accrue from incremental changes in each of these elements in isolation are illustrated in Annex A: simple addition of the savings, however, does not accurately reflect the results of deploying the elements in combination.

3. I think that one element in the package should be the abolition, immediately or in stages, of the minimum award of £410 paid to about 45,000 students whose parents have residual incomes - after deduction of allowances like mortgage interest - in excess of about £20,000. The minimum award was sharply increased by our predecessors in the late 1970s to provide some compensation for those well-paid parents, with children in higher education, who suffered a net loss when child benefit replaced

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child tax allowances. But since then we have sharply reduced the higher marginal tax rates on earned incomes (eg from 83% to 60% at the very top) to the great benefit of this group. Moreover abolition of the minimum award would still leave those families concerned, in common with all others in receipt of mandatory awards, with free tuition in higher education, wholly at public expense, to a value of at least £2,500 a year.

4. Annex A shows that abolition of the minimum award would take us less than half-way towards the required savings. Annexes B, C and D illustrate various packages which would in different ways close the gap.

5. I do not think that any of them, or any variation of them, would be satisfactory. They all involve a further sharp reduction in the rates of grant themselves which have already fallen by nearly 10% in real terms since 1979. In particular packages which further reduced the value of the grant itself would affect most severely students from the poorer families whose opportunities in higher education we wish to increase. I have rejected them for this reason.

6. To my mind the right way to find the remaining savings is to steepen the parental contribution scale in its middle and upper reaches. At present no contribution is payable if residual income is less than £7,100; £1 in every £7 is payable between £7,100 and £9,000; £1 in £8 between £9,000 and £14,300; and £1 in £13 thereafter. This is a regressive scale beyond £9,000 and more so beyond £14,300. If the parental contribution were £1 in every £6 at all points beyond £9,000 and if we halved the minimum award next year and abolished it in 1985, we would save £25m (£5m more than I have so far agreed with the Chief Secretary) in 1984-85, £40m in 1985-86 and £50m in 1986-87.

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7. This is the package that I recommended. Of course it would be unpopular with some of our supporters. Those with residual incomes, for example, of £12,000 would be expected to make a contribution of £770 instead of about £650; and those with residual incomes of £18,000 would be asked to pay about £1,770 instead of £1,220. Those at the very top would lose the minimum award of £410. But only one contribution is payable even if there are two or more children in higher education at the same time; and those families with residual incomes of under £7,100 - about average earnings - would not be affected.

CONCLUSION

8. I invite my colleagues to recommend to the Cabinet the abolition of the minimum award in two stages and the parental contribution scale set out in paragraph 6.

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ANNEX A

PES 1983 : STUDENT AWARDS SAVINGS

A "READY RECKONER" OF AWARDS SAVINGS

		SAVINGS £m		
		1984-85	1985-86	1986-87
1	RATES OF GRANT Revaluing by 1% less than the PES baseline in 1984-85 i.e. 4% instead of 5%	4	6	6
2	MINIMUM AWARD Halving the minimum award (at present £410) in 1984-85, abolish it in 1985-86	6	18	20
3	PARENTAL CONTRIBUTION SCALE Revaluing the scale by 1% less than the assumed increase in earnings in 1984-85	1	1.5	1.5
4	HOME/AWAY DIFFERENTIAL Freezing London (£1,975) and elsewhere (£1,660) rates for new students only from 1984-85 (Home rate is £1,275)	5	25	50
5	FEES Extending parental contribution into fees (at present £475) after abolishing minimum award.	8	12	12

NB Simple addition of these savings does not accurately reflect the results of deploying the items in combination.

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PES 1983: STUDENT AWARDS SAVINGS

LIMIT INCREASE IN RATES OF GRANT TO 2% IN EACH OF NEXT 3 YEARS
AND ABOLISH MINIMUM AWARD

	1984/85	1985/86	1986/87
Savings Achieved	£25m	£45m	£55m
Savings Required	£20m	£40m	£50m

Under this option the real value of the grant would be reduced by 4% in 1984/85, 3% in 1985/86 and 2% in 1986/87, a cumulative fall of 9% over the three years which would bring the overall decline in the value of the grant since the Government first came into power up to 17%.

Advantages of this option are:

- (a) it achieves the necessary savings,
- (b) presentationally it bears on students rather than parents,
- (c) it spreads the burden of savings across all students.

Objections include:

- (a) it severely further depresses the real value of the grant below its present all-time low level,
- (b) acting on the rate of grant affects particularly those from the poorest families, who cannot make up the difference (because it falls on families equally irrespective of their means, a decline in the value of the grant acts like an inverse means test). It would discourage able children from less well-off homes from considering higher education,
- (c) by artificially distorting family perceptions of the resources needed by a student to pursue his course it would lead to inadequate family contributions and reinforce the growing trend for students to borrow from banks,
- (d) it would affect the viability of some student residences,
- (e) it would no longer be possible to maintain the policy position that the grant was intended to meet students' needs.

PES 1983: STUDENT AWARDS SAVINGS

PROGRESSIVELY HALVE THE HOME/AWAY DIFFERENTIAL BY FREEZING THE LONDON AND ELSEWHERE RATES OF GRANT AT PRESENT CASH VALUES FOR NEW STUDENTS ONLY FROM 1984/85, AND ALSO ABOLISH MINIMUM AWARD

	1984/85	1985/86	1986/87
Savings Achieved	£20m	£40m	£65m
Savings Required	£20m	£40m	£50m

At present 90% of students study away from home. This option would represent a cumulative fall in the real value of their grants of 14% over 3 years.

Advantages of this option include:

- (a) it achieves the necessary savings,
- (b) the encouragement it would give to students to study near home could be presented as a deliberate act of educational policy.

Objections include:

- (a) it could not be introduced as an expression of educational policy if at the same time reimbursement to students of their actual travel costs came to an end (the students making the biggest excess travel claims are those living at home and claiming in respect of daily travel to institutions),
- (b) it would operate selectively to the disadvantage of students living in rural areas and those studying subjects where provision is concentrated in a small number of institutions,
- (c) the pattern of HE provision has developed on the assumption that most students study away from home. The option would therefore:
 - (i) reduce the viability of student residences,
 - (ii) have unpredictable effects on a number of courses,
 - (iii) reduce students' freedom of choice of course and institution and impede the rationalisation of provision in higher education.

PES 1983: STUDENT AWARDS SAVINGS

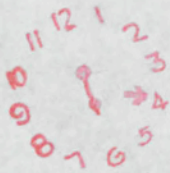
A COMPOSITE OPTION INVOLVING

- (a) FREEZING THE PARENTAL CONTRIBUTION SCALE IN 1984/85
- (b) LIMITING THE INCREASE IN RATES OF GRANT TO 3%, 3% AND 2% RESPECTIVELY IN THE 3 YEARS CONCERNED
- (c) REDUCING THE MINIMUM AWARD FROM £410 TO £200 IN 1984/85 ABOLISHING IT IN 1985/86

	1984/85	1985/86	1986/87
Savings Achieved	£20m	£40m	£50m
Savings Required	£20m	£40m	£50m

Under this option, the real value of the grant would fall by some 7% over the 3 year period, bringing the overall decline since the Government first came to power to 15%. A further 15-20,000 parents would be brought into making contributions and the contributions expected from parents throughout the scale would increase. The minimum award would be abolished over 2 years.

1 NOV 1983



①

PRIME MINISTER

Sir Keith's new proposal is a great improvement on his last. I would be surprised if, at the end of the day, the local authorities did not come back for some extra money. But better to start with a firm and deliverable package of improvements than to offer money and see what turns up.

Agree an encouraging Private Secretary letter:

- i) endorsing initiative with Merridale
- ii) confirming that no extra money should be promised?

AS

Yes not

27 October 1983

SECRET

26 October 1983

MR TURNBULL

c Mr Mount

RAISING STANDARDS IN SCHOOLS

Sir Keith Joseph's minute of 25 October proposes:

- to support Philip Merridale in his attempt to change teachers' conditions of service;
- but to offer no hope of special increases in pay.

This plan seems admirable. Ministers can immediately start making speeches in support of Mr Merridale's efforts, so as to persuade the public that proper assessments of teachers' performance etc would be a good thing for education. This will make it difficult (or at any rate embarrassing) for Mr Merridale and his colleagues to abandon the struggle, and will also weaken the teachers' bargaining position. If, in the event, Mr Merridale finds that the teachers still refuse to accept the new conditions without a large pay rise, the Government will be in a position to refuse the rise, on the grounds that these admirable changes would be accepted without compensation by any responsible teaching force. At worst, the local authorities will then give way, and we shall be back where we started; at best, they will stand firm, and the teachers will be faced with a choice between co-operating without bribery or taking unpopular industrial action in defence of the indefensible.

OL.

OLIVER LETWIN

SECRET

PRIME MINISTER

RAISING STANDARDS IN SCHOOLS

1. We spoke briefly about my minute of 21 September. The Chief Secretary and the Secretary of State for the Environment have also commented. There is an urgent need for me to steer the local authority leadership in relation to their work on the teachers' pay structure and conditions of service. I have given further consideration, in the light of these comments, to the guidance I should offer them. This minute explains my position.
2. We all I think agree that pruning weak heads and teachers, more rigorous selection and training of new teachers and heads, and more effective management of teachers are essential if we are to improve school standards. The Chief Secretary recognises, in his 5 October minute to you, the help a revised structure of pay and conditions of service could give towards this end.
3. I have found and brought into use - to make sharply more effective the selection and training of teachers - an existing but unused power to approve initial teacher training courses. I also have the power to grant-aid in-service teacher training and this I am doing now. But for the management of the teacher force, including dismissal where appropriate, I have no power. I can only act through the employers.
4. As you know, the Remuneration of Teachers Act 1965 requires teachers' pay scales, but not their other conditions of service, to be negotiated in the Burnham Committees. I am represented within the management side of Burnham, but not on CLEA/ST, the forum within which the local authorities and the teachers negotiate on other conditions of service.

5. Burnham has for some time been involved in a review of the school teachers' salary structure. The NUT have been deeply suspicious (though the other teacher unions appear more receptive) and progress has been slow. But it is now clear what a more discriminating pay structure, linked with more effective management, might look like.

6. I understand the doubts of you and the Chief Secretary about the extent to which the employers, the staff and the unions will co-operate in making a new system work effectively, especially when it comes to the dismissal of ineffective teachers. I agree with the Chief Secretary about the need for a credible assessment system and hard-headed management. But even the hardest-headed managers need the right tools. We should recognise that while the local authorities have not reduced teacher numbers as much as we think they should, and have not dismissed as many bad teachers as they should, they have made substantial use of the premature retirement tool, thus removing nearly 20,000 teachers over the age of 50 during the last three years, many of them on grounds of efficiency. When we authorised NHS redundancy terms for AFE teachers under the age of 50 we denied the authorities that tool for schools teachers.

7. Many authorities do not at present have systematic information about all their teachers for management purposes, and therefore lack the means of providing proper evidence either for disciplinary action and dismissal on the one hand or reward for merit on the other. Many authorities now recognise their need for such information, including assessments of their teachers' performance made by their inspectors, are ready to use it, and can expect a fair degree of co-operation from the unions with this development as part of an overall package. I believe they should have developed an effective assessment system before now. Be that as it may, now they recognise the need we must help them negotiate a successful outcome.

8. I believe hard benefits are a real possibility, including some dismissals, better rewards for some excellent teachers for teaching (not taking them out of the classroom), and more effective redeployment schemes as secondary rolls fall. Of course we must be satisfied of the reality of the benefits here, as with the Civil Service, before we can decide if the deal is worth a price of any kind. I certainly do not suggest that we should underwrite any increase in the teachers' pay bid at this stage.

9. The leadership of the Burnham Management Panel has recently passed to Philip Merridale, our leader in Hampshire. He will probably lead for long enough to deliver improvements, provided he believes that we will help him negotiate his way to a satisfactory settlement. Moreover he himself is convinced of the need for change.

10. There is strong support among ACC - and AMA - members, for his view that new contracts for school teachers are needed. One reason lies in quality and management considerations. Another lies in concern to bring the responsibility of teachers to supervise pupils throughout the school day, including the mid-day break, explicitly within their contractual duties in the interests of good discipline. At national level contracts are a matter for CLEA/ST, not Burnham. The two sets of negotiations in CLEA/ST and Burnham have therefore to be brought to a climax together.

11. The authorities know that such negotiations will be hard and protracted; that for real improvements in management terms in the pay structure and conditions of service they may have first to face industrial action; and that the negotiations will have to be related at some stage to an annual pay negotiation. Philip Merridale has asked to see me before the end of this month, and I must give him a steer. My concern is to ensure that constructive negotiations move into higher gear. I therefore propose to

assure him of support for these objectives through my officials within Burnham, and by Ministers in public if the authorities come into conflict with the teachers as a result of seeking to negotiate more satisfactory conditions of employment. I propose to tell him clearly that I believe improvements in the teachers' salary structure and contractual responsibilities are of high importance, and that I hope he will be able during his leadership of Burnham to bring forward proposals which the Government will judge as being soundly-based and capable of being made to stick.

12. In the light of the points you put to me in our recent talk, I accept that I should not volunteer any statement about the possibility of extra money to finance a firm and worthwhile deal. If he asked me how the Government would react to such a proposal, I would remind him of the overriding necessity to control public expenditure and bring down the rate of inflation. I could not therefore enter into any financial commitment. Such questions could only be considered when we knew precisely what was on offer, and he should not assume any special treatment for the teachers.

13. Copies of this minute go to the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Scotland, Wales, the Environment and Employment, the Chief Secretary to the Treasury, the Minister of State Privy Council Office and Sir Robert Armstrong.

KJ

25 OCTOBER 1983



10 DOWNING STREET

Prime Minister

The DES note answers the questions you raised at the meeting with KJ.

Attached is a commentary by N Letwin.

KJ appears before MISC 99 on Wednesday morning.

AT

24/10

A stylized handwritten signature or set of initials, possibly 'MS', consisting of several sharp, angular strokes.

24 October 1983

MR TURNBULL

c Mr Mount 5

PUBLIC EXPENDITURE SURVEY: EDUCATION

Several points of interest emerge from the DES minute of 21 October.

1. Local Authority Capital Expenditure

The minute reveals that LEAs are committed to spending only £260 million of the £300 million presently allocated for capital expenditure in 1984/5. This leaves £40 million for them to spend on ~~the~~ ^{new} restructuring ^{projects} made necessary by falling rolls - a sufficient sum for the purpose.

180 Schools
36 FE
10 Nursery
30 Basic needs
256

The note implies (and DES officials confirm) that any additional funds would be spent on:

- i. items of capital equipment costing more than £6,000; (items costing less than £6,000 are purchased out of recurrent funds);
- ii. improvements in special schools;
- iii. improvements to old buildings;
- iv. land purchases.

Of these, only land purchases are urgent: they are needed for the school rationalisation programme to continue; about £10 million is required for this purpose. It would therefore be possible to reduce the DES ^{additional} bid for LA capital expenditure in 1984/5 from £50 million to £10 million.

The minute does not discuss capital expenditure in 1985/6 or 1986/7. The proportion of the allocated funds already committed to particular projects in these years will presumably be smaller than the proportion committed in 1984/5. This should make it even easier to prune the budget.

2. University Capital Expenditure

The minute lists additional bids for 1984/5 totalling some £25 million. These have now been reduced to £12 million, of which £8 million is for equipment, and £4 million is for rebuilding medical schools.

It appears that the medical projects are forced on DES by DHSS, and are intended to rationalise provision rather than to provide more doctors. This spending is probably inevitable.

The equipment grant is lavish. The minute shows that some £87 million is already being spent by the UGC. This is in addition to the £25 million which is spent on university equipment by the Research Councils, and which is not listed in the minute. It would be difficult to justify any additional bid.

The minute also shows that universities are committed to spending £11 million on new building projects costing over £1 million each. This seems unnecessarily large: it should be possible to reduce the amount in 1985/6 and 1986/7. (The minute does not tell us, and I have not been able to find out, how much is spent on building projects costing less than £1 million, which are funded out of current expenditure. This deserves further investigation.)

3. University Staff:Student Ratios

The minute reveals a staff-student ratio of 10:1. This is unnecessarily luxurious, particularly when one remembers that a large proportion of the teaching in many departments is done by graduate students, who are not included in the statistics. If half the jobs in universities were frozen, and natural wastage were allowed to occur, the official ratio would rise to about 11:1; and the taxpayer would save some £10 million a year. Would this be an unreasonable move?

4. Number of Teachers

It would be interesting to know whether the reductions in teacher numbers have generally been achieved by removing vulnerable but important people (such as part-time remedial teachers) rather than by dismissing unnecessary or incompetent teachers. My visits to schools lead me to think that this may be a widespread problem.

OL.

OLIVER LETWIN

✓ NO



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

21 October 1983

Dear Andrew,

Public Expenditure Survey: Education

Thank you for your letter of 17 October.

In paragraph 6 you identify a number of issues on which the Prime Minister asked for more information.

LOCAL AUTHORITY CAPITAL EXPENDITURE

The present allocation for education in 1984-85, including some £30m on account of 50 per cent of forecast receipts from sales of land and buildings, is just under £300m. Details of its distribution and of the means by which it is controlled are given in the Annex.

UNIVERSITY CAPITAL EXPENDITURE

The breakdown of the present allocation of £125.45 million for 1984-85 and the additional capital bid is as follows:-

	<u>Baseline Provision</u>	<u>Original</u> <u>Additional bid</u>	<u>Revised</u> <u>bid</u>
	<u>£m</u>	<u>£m</u>	
a. Equipment grant	86.95	10.3	80
b. Medical projects	12.375	3.6	40
c. Other major university projects	11.19	4.0	
d. Computer Board capital expenditure	13.139	3.7	
e. Open University grant for capital expenditure (including equipment)	1.8	-	
	<u>125.44</u>	<u>21.6</u>	<u>12.0</u>
		/a. Equipment	

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

1 As discussed at your meeting with Sir Keith.

- a. Equipment grant provides mainly for scientific and research equipment.
- b. The baseline does not include provision for any new projects to start in 1984-85. Of the additional bid only £2.08 million is for new projects, including the rationalisation of London's medical schools. None of these will be UGC controlled projects. Medical schools have to be integrated with teaching hospitals. Decisions about their location, rebuilding etc are taken by the Health Departments. These projects do not increase the output of doctors.
- c. Only £0.3 million of the baseline provision is available to start new projects in 1984-85. Of the additional bid £2.4 million is for new projects including some provision for the restructuring of London University. About £1.6 million of the additional bid is needed for repair of buildings of defective construction.
- d. This covers the purchase of computer hardware.
- e. No new projects are planned to start in 1984-85.

Other university building work

Universities are expected to fund building maintenance and all projects costing under £1m from recurrent grant. Expenditure on maintenance is currently about £12m a year too low. It will need to be significantly increased as the proportion of buildings over 20 years old - the period of peak need for major overhaul - trebles between now and the end of the century.

UNIVERSITY STUDENT: STAFF RATIOS

The G B average, all subjects, has moved as follows:-

1972-73	8.4	
1978-79	9.3	
1980-81	9.4	
1981-82	9.7	
1984-85	10.0	(Projected)

SSRs have been progressively squeezed over the past decade. They have not been squeezed more as a result of the 1981 cuts because the University Grants Committee took the view - in which Ministers acquiesced - that some restraint on student numbers was desirable in order that the research effort of the universities should be damaged as little as possible.

The total number of academic and academic-related posts is expected to fall by about 6,000 (from 43,000 to 37,000) between 1981 and 1984 - 4,000 redundancy and 2,000 by natural wastage.

TEACHERS

You also record at the end of your letter that the Prime Minister was concerned about teacher numbers in schools. It is true that numbers have not fallen as fast as the Government planned - partly because of the practical difficulties (including those associated with school closures) of achieving contraction while maintaining the curriculum, and partly because some authorities have preferred to make savings in non-teaching staff, books and repairs and maintenance rather than reduce teaching staff in line with Government plans. But in the four years since 1979 there has been a reduction of 6 per cent from 441,000 to 415,000, compared with a fall of 10 per cent in pupil numbers, resulting in an improvement in the pupil teacher ratio, mentioned in the Manifesto, from 18.9 to 18.1. Over the same four years the number of non-teaching staff in education has fallen by nearly 11 per cent. Numbers in all local authority services (excluding law and order) have fallen by 5 per cent.

I am sending a copy of this letter to John Gieve.

Yours,

Elizabeth

MISS C E HODKINSON
Private Secretary

CONFIDENTIAL

ANNEX

Local authority capital expenditure on education 1984-85

On present plans PES provision for 1984-85 for LEA capital expenditure, including 50% of forecast receipts (see paragraph 6 below), is £296.5m. (This compares with £302.1m for 1983-84). It includes £11.5m for nursery education, half of which goes to the Urban Programme. Resources for schools and FE have yet to be divided between the sectors, but the split could be of the order of £213m for schools (excluding nursery education) and £72m for FE.

2 The first charge on these resources is committed expenditure arising from contracts for work started in previous years. The minimum realistic figure for this is £180m for schools and £36m for FE. A little more than half the schools' committed expenditure is likely to derive from basic need projects; and about one-third from the removal of surplus places.

3 About £30m will be required for new basic need projects. Despite the sharp decline in pupil numbers, population movement creates a continuing, though much reduced, basic need for new school places; and, after committed expenditure, this is the first call on available resources because LEAs have statutory obligations to fulfil.

4 This would leave, on the basis of the present provision for 1984-5, some £40m to be distributed between removing surplus school places; the capital needs of non-advanced and advanced higher education (outside the universities) mainly computers, other equipment, and new buildings; special schools; improvement to old or dilapidated schools; and land and equipment, mainly for schools which will need to be built or extended.

System of controls

5 The Local Government, Planning and Land Act 1980 has transformed the Government's control over local authority capital expenditure and make it looser. Before 1981-2, the DES itself controlled the programme of capital expenditure of each LEA by giving each an annual programme of educational building starts regulated by the capital value of the projects, and backed by individual loan sanctions. The present control relates only to the capital expenditure of each local authority for all its services, bites not on the starts in the year in
/question....

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question but on the total expenditure incurred during it, and is conducted centrally by the DOE. Although DES, along with other service Departments, announced annual capital expenditure allocations to authorities, individual authorities enjoy powers of virement which enable them to pool their allocations from different Departments and dispose them between services as they choose. Individual loan sanctions are no longer required for projects; and expenditure allocations themselves carry a block borrowing approval.

6 Authorities may supplement their allocations by the use of capital receipts. From 1983-4 authorities as a whole are deemed to spend 50% of their receipts on capital items, and 50% of the estimated national total of receipts for each service has been added to the total of the allocations. In addition if a local authority wishes to spend more than its allocation by the use of capital receipts it has to raise receipts of an amount which is twice the extra it wants to spend, because it may apply only 50% of capital receipts to capital expenditure. The authority has an incentive to sell land and buildings, and receipts have increased steadily in recent years.

7 LEAs still need to get the approval of the Secretary of State for Education and Science for the particulars of individual building projects. This project by project control is concerned only with minimum standards and cost and is designed to secure value for money. It does not enable the Secretary of State to regulate an authority's level of capital expenditure. The responsibility of monitoring the capital expenditure of individual authorities rests with the DOE and relates to an authority's total level of capital expenditure, on all services, not on a particular service such as education. It would be lawful for an authority to spend more than the total of its allocations and its applicable capital receipts, unless a direction were issued by the Secretary of State for the Environment restricting the authority's right to make further payments or enter into new contracts.

8 Hitherto such directions have not been given. Authorities have not exceeded their expenditure limits but have consistently underspent in total. In education, on the other hand, the total expenditure in 1981-2 and 1982-3 was close to or above the limit of allocations plus receipts. To the extent that it has exceeded the limit, the position has been covered through virement from the allocations for other services within the same local authority.

9 LEAs' readiness to spend in full the total of the allocations given by

/DES,.....

CONFIDENTIAL

CONFIDENTIAL

DES, together with receipts, indicates that the incentive to raise capital receipts has been working for education. The freedom to apply receipts and to exercise virement can give rise to an overhang of committed expenditure in future years if receipts fall off or if virement is no longer possible from other service allocations. Such a situation would arise from the local authority's exercise of a freedom which the 1980 Act has conferred on it. The situation would arise from the local authority's exercise of a freedom which the 1980 Act has conferred on it. The situation also creates its own incentive to maximise receipts. But not every LEA that needs to spend more on capital e.g. to support school reorganisations can increase its capital receipts when those are required. For example it may need to incur capital expenditure before land can be made available for disposal or it may want to use e.g. surplus school playing fields for community purposes.

CONFIDENTIAL

Education: King Pt 3

221 OCT 1983



ef no



NBPM at the stage
 B/F it Sir K Joseph
 writes in again with his
 proposal.

2 MARSHAM STREET
 LONDON SW1P 3EB
 01-212 3434

My ref:

Your ref:

AT 19/10

18 October 1983

Dear Peter,

RAISING STANDARDS IN SCHOOLS

Thank you for copying to me your minute of 5 October to the Prime Minister and Keith Joseph's of 21 September.

I make no comment on the substance of Keith's proposals, but I note that they amount to a bid for a substantial increase in the education component of local authority relevant current expenditure for 1985/86 onwards.

I am writing to you separately about provision in the Public Expenditure White Paper for local authority current expenditure beyond 1984/85. Amongst other things I am concerned about our vulnerability to the accusation that we are imposing extra duties and powers on local government at the same time as seeking to deliver overall expenditure reductions. I am bound to say that Keith's proposals seem to be just the sort of thing which even our supporters in local government point to as evidence to back up that accusation.

I am copying this letter to the Prime Minister, the Chancellor, Keith Joseph and Sir Robert Armstrong.

Patrick Jenkin

PATRICK JENKIN

Education
Expenditure
P+B

11 12 1
2 3 4 5 6 7 8 9 0
10 11 12 13 14 15 16 17 18 19 20

179 OCT 1983





With the Compliments
of the
Chief Secretary to the Treasury's
Private Secretary

Andrew

For reference. Sharp
practice on Sir K's part
1 year.

J. S. Giers.

Treasury Chambers,
Parliament Street,
SW1P 3AG



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 8481

SECRET

18 October 1983

J R Jameson Esq
Department of Education
and Science
Elizabeth House
York Road
LONDON SE1 7PH

Dear Richard

PUBLIC EXPENDITURE SURVEY - EDUCATION

I was a little concerned on reading Andrew Turnbull's letter of 17 October to Imogen Wilde to see that the impression may have been given at the Prime Minister's meeting that the savings so far agreed between the Chief Secretary and your Secretary of State 'included the removal of the minimum student award'.

2. All that was agreed at the bilateral was that 'a negotiable scheme of reductions' be devised of the order of £20 million/£40 million/£50 million. The Chief Secretary suggested that 'a package of individually modest and relatively uncontroversial measures' would stand the best chance of success with colleagues. He did not I think have in mind abolition of the minimum award (as opposed to, perhaps, some reduction) as a likely component of such a package.

*Yours ever
Richard*

M J C Faulkner

SECRET

Education,
Policy,
P73

18 OCT 1983





22 v.c.
3

CC MASTER SET

10 DOWNING STREET

From the Private Secretary

17 October 1983

Dear Imogen

Public Expenditure Survey: Education

The Prime Minister held a meeting today with your Secretary of State and the Chief Secretary to discuss the issues outstanding from the bilaterals. Excluding an additional bid for the Science Budget which is to be discussed on Wednesday and excluding the adjustment for the 3% pay factor, the net additional bids totalled £101m, £89m, and £72m in the three years. The Chief Secretary said he could not concede such increases and achieve his target. Your Secretary of State set out the case for each of his additional bids.

On university capital expenditure the money was needed particularly for medical and dental schools; to make good shortcomings in libraries; and to finance restructuring. It was noted, however, that universities already had a capital budget of £120m. The Prime Minister said she was sceptical about the argument that university laboratories were becoming threadbare. She said it was desirable that universities sought more of their finance from industry. Your Secretary of State said he agreed and would be producing a paper on this shortly but it was not possible to take action in this area in the immediate future.

The additional bid on local authority capital expenditure was needed to finance increased closures and amalgamations. It was pointed out that the local authority capital budget was already £300m a year and the additional bid of £50m more than reversed the saving which had been offered the previous year. Against this it was argued that much of the £300m was already committed for new buildings.

In discussion it was noted that the agreed savings included the removal of the minimum student award. The Prime Minister expressed concern at this and your Secretary of State agreed to restructure the package of savings on student grants.

After some discussion, your Secretary of State said he could not withdraw his bids and it was agreed that they should be referred to the MISC group of Ministers.

The Prime Minister said she was concerned about a number of developments and asked for more information; how much of the £300m of local authority capital expenditure was already committed; how much of it was earmarked for amalgamations and closures;

/ why

SECRET

- 2 -

why it was that so much was being provided for new building when closures were taking place; whether there was scope for scaling down the building programme. Your Secretary of State agreed to provide a note on this. Similarly, on university capital expenditure your Secretary of State agreed to provide a breakdown of the £120m showing how much was committed in new buildings. He would also provide figures on student/teacher ratios.

The Prime Minister was disturbed at a number of longer term developments. For example, very little progress seemed to have been made on the problem of tenure. It was necessary to look at fundamental work practices in the universities such as three short terms. Finally, she was concerned at the way teacher numbers had risen in schools, apparently at the expense of non-staff expenditure.

I am sending a copy of this letter to John Gieve (Chief Secretary's Office, HM Treasury).

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Mrs Imogen Wilde,
Department of Education and Science.

SECRET



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Prime Minister

Consistent with Treasury,
Policy Unit figures except
for X which Treasury
regard as an adjustment to
baseline.

AT 17/10

F E R Butler Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

17 October 1983

Dear Robin

1983 SURVEY

The Secretary of State thinks that the Prime Minister may find it helpful to have the attached table of figures before she meets the Secretary of State and Chief Secretary later today. The correspondence enclosed with the Secretary of State's letter of 11 October is also relevant.

I am sending a copy of this letter and of the table to John Gieve, Treasury.

Yours,

Elizabeth

MISS C E HODKINSON
Private Secretary

CONFIDENTIAL

£m cash

ANNEX

Education and Science

1984-85 1985-86 1986-87

Baseline (excluding local authority current expenditure) 3,258 3,388 3,489

A Agreed additions

1. Student grants (extra numbers)	40 ✓	50 ✓	45 ✓
2. Science (international only - remainder to be discussed)	6 ✓	8 ✓	7 ✓
	—	—	—

Total A 46 58 52

B Agreed reductions

3. Voluntary and direct grant colleges	5	5	5
4. Open University	—	2	5
5. Student grants (reduced level, stiffer means test etc.)	20	40	50
6. 3 per cent pay factor *	23	24	25
	—	—	—

Total B 48 71 85

C Disputed additions

7. Universities - current (net of "efficiency savings")	18 ✓	16 ✓	18 ✓
8. Universities - capital	12 ✓	12 ✓	12 ✓
9. Local authority capital	50 ✓	50 ✓	50 ✓
	—	—	—

Total C 80 78 80

D Disputed reduction

10. Universities - current	—	—	75
----------------------------	---	---	----

*Reduction in cash following replacement of 5 per cent pay factor by 3 per cent.

Treasury treat this as outside bilaterals.

CONFIDENTIAL

14 October 1983

PRIME MINISTER

PUBLIC EXPENDITURE SURVEY: EDUCATION AND SCIENCE

2

You will be meeting Sir Keith Joseph and the Chief Secretary on Monday to discuss DES public expenditure bids.

It should be remembered that the bilaterals between Sir Keith and the Chief Secretary do not deal with Local Authority current expenditure, which is subject to separate negotiations between Treasury and DoE. The discussion therefore concerns Local Authority capital expenditure and vote expenditure (mainly on universities and student grants).

The present official position is described in the note provided by the Treasury dated 14 October. Sir Keith is seeking net additions of:

	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
or, excluding MOD/DES Science transfer:	130	136	140
	101	89	72

The Chief Secretary is resisting the increases in the first two years and seeking reductions in the third.

Informal soundings with Treasury and DES suggest that Sir Keith may be willing to give way considerably on the long-term savings, and that the Chief Secretary may be willing to concede the necessity for some amount of additional expenditure in the short term.

You may therefore wish to press for a settlement on roughly these lines:

+50	+25	-10
-----	-----	-----

I believe that this could be achieved without damaging the education service. The following steps might be taken:

1. Further reductions in grants to voluntary colleges of further education and to the Open University. Sir Keith and the Chief Secretary have already agreed to reductions of:

- 5	- 7	-10
-----	-----	-----

But many of the voluntary colleges are academically inferior,

and the open university has quite a lot of fat left in it.
One might press for:

- 8 -10 -15

2. Further reduction in level of Student Maintenance Grant.
Sir Keith and the Chief Secretary have agreed savings of:

-20 -40 -50

These would, it is true, allow the value of the maintenance grant to decrease in real terms; but the cash-value of the grant would still increase. One might aim to keep the cash-value constant, which would yield savings of roughly:

-23 -50 -70

3. Refusal to allow bid for additional University Capital expenditure.
The Chief Secretary's arguments are convincing - (see page 2, paragraph (c) of his note). Universities are already spending £120m a year on capital projects - there is surely no need for more. Refusal to allow the bid would yield:

-12 -12 -12

4. Increased efficiency savings in Universities. Sir Keith has already offered "efficiency savings" of:

- 7 -14 -22

There is room for more ambitious reductions. Many university departments remain luxuriously staffed; and not many are very careful, even now, about "small things" such as energy costs. One might realistically aim at further reductions of:

- 5 -10 -15

It should be remembered that this would still leave the DES with net additions on university current expenditure of:

13 6 3

5. Reduction in bid for additional LA capital expenditure. Sir Keith is asking for an additional:

50 50 50

Of the arguments put forward by DES, only one is sound - LEAs do need additional funds to adapt school buildings for closures and mergers. It would surely be possible to meet this need without providing the very large sums mentioned. One might press for only:

20 20 20

6. Ensure that extra science bid is met, if at all, from MOD funds. Sir Keith has asked whether he might have additional funds for science out of the MOD budget. He wants:

29 47 68

You will be meeting him and Mr. Heseltine to discuss this on 19 October. You may therefore wish to make clear that this request will be treated separately, and that there is no question of the funds being released by the Treasury if they cannot be prised out of MOD.

Together, the measures outlined above would reduce Sir Keith's bid as follows:

Vol. Colls. & OU	- 3	- 3	- 5
Student Grant	- 3	-10	-20
University Capital	-12	-12	-12
University Current	- 5	-10	-15
LA Capital	-30	-30	-30
<hr/>			
Total reduction in bid	- 53	- 65	- 82

This would leave Sir Keith with net bids (excluding the proposed Science transfer) of:

+48 +24 -10,

which might, I think, meet with the approval of the Chief Secretary.



10 DOWNING STREET

Prime Minister ①

You are meeting Su Keble
Joseph and the Chief Secretary
on Monday at 17.30 p- to try
to reach a settlement of
education programme,
excluding the science base
which is to be discussed
on Wednesday. Also not
on agenda is Su Keble's
Prop bid for £150 million
to raise teaching standards.

Flag A - Treasury brief

Flag B - Policy Unit brief
on handling

Flag C - The most recent
Treasury / DES
correspondence
which Su Keble
circulated

Flag D - Papers on raising
standards (in case it
comes up)

APF 14110



A

cc ~~OL~~
NO

MS

Treasury Chambers, Parliament Street, SW1P 3AG

Mr A Turnbull
PS/Prime Minister
No. 10 Downing Street
LONDON
SW1

14 October 1983

Re. Andrew

PES: EDUCATION. PRIME MINISTER'S MEETING ON 17 OCTOBER

I attach as requested a note summarising the state of play on education and the main arguments on each side.

The Prime Minister may also care to know that the Chief Secretary will be meeting the Secretary of State for the Environment ~~on~~ earlier on 17 October for further discussions on the aggregate provision for local authority current expenditure in 1985-86 and 1986-87. Sir Keith Joseph and other Ministers with responsibility for individual local authority services will not be aware of this.

Yours sincerely

JG. Gieve

JOHN GIEVE

PUBLIC EXPENDITURE SURVEY - EDUCATION AND SCIENCE

		£ million		
		<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>
I	<u>THE BASELINE</u>			
1.	Baseline in Survey report	12,876.7	13,308.3	13,409.5
2.	Of which, local authority current (other than student awards)	9,618.6	9,920.6	9,920.6
3.	Remainder of <u>baseline</u>	3,258.1	3,387.7	3,488.9

Bilateral discussions have concentrated on line 3. Local authority current is being dealt with separately (see V below).

The baseline has now ^{been} reduced as follows in the light of the Cabinet decision on public sector pay:

-23	-24	-25
-----	-----	-----

II AGREEMENTS TO DATE

Bids have been agreed as follows:-

Student awards (to take account of increased student <u>numbers</u>)	40	50	45
Science (increased cost of international subscriptions to CERN etc)	6	8	7

The following savings have been agreed:-

Grant-aided colleges and Open University	5	7	10
<i>What charges?</i> Student awards (by changes in the <u>terms</u> of awards)	20	40	50
	25	47	60

III OUTSTANDING ISSUES

a) Science

Outstanding bids of: 29 47 68

are to be considered in the light of the Prime Minister's meeting on 19 October. This is to explore the scope for re-allocation to DES from the Defence R and D programme.

b)	<u>Local authority capital</u>			
	Outstanding bid of:	50	50	50
	(reduced from an original	220	245	285)

The Secretary of State argues that this is necessary for:

- adaptations to school buildings necessitated by closures and mergers (which will themselves reduce current costs)

Capital?

repair work to schools and colleges

- major improvements to remedy defects in schools built in 1950s and 1960s.

He points out that, while local authorities have underspent heavily on other capital services, they have proved willing and able to spend up to provision on education. Some re-allocation between services should be possible.

The Chief Secretary argues that he cannot afford to meet the bid, or to redeploy in favour of education savings he is seeking from colleagues on other LA capital services. A vigorous programme of sales of surplus assets would help authorities to do more work within existing (net) provision of some £300m a year, which should be sufficient to meet the most pressing requirements. He notes that the Secretary of State agreed in the last public expenditure survey to reduce provision on this part of his programme by £16m in each year.

c)	<u>Universities - capital</u>			
	Outstanding bid of:	— 12	— 12	12
	(reduced from an original	25	25	25)

The Secretary of State argues that this is required for:

- ⁴ additional spending on medical and dental school projects, postponed from earlier years
- rationalisation of the London colleges
- expenditure to make good defective buildings
- ⁷ increased equipment grants to make good shortcomings in laboratories.

The Chief Secretary argues that any essential expenditure under these heads should be considered a priority charge on existing provision. Universities can help themselves by selling off surplus assets. He is not convinced that extra net capital expenditure is required to achieve rationalisation in London.

d)	<u>Universities - current</u>			
	Outstanding bid of	25	30	40
	(reduced from an original	25	45	70)

£120 //

If this is accepted, but not otherwise, the Secretary of State will agree to efficiency savings of:

	-7	-14	-22
resulting in net additions of:	18	16	18

He argues that unless additions are made to cover a number of inescapable cost increases and thus to preserve the real value of present provision, the universities cannot be pressed to improve their efficiency.

The Chief Secretary however considers that significant net savings should be sought in administration and support services in the first two years and also a reduction of £75 million in 1986-87, in view of the need for a further round of rationalisation as student demand declines. The Secretary of State recognises the scope for important reductions in the medium to long term but is anxious not to prejudice the UGC's present consultative exercise on the future of the university system.

IV OVERALL POSITION

The Secretary of State is seeking net additions of:

	130	136	140
or, excluding the outstanding science bid (a) above)	101	89	72

The Chief Secretary finds it very difficult to contemplate net additions in the first two years and is seeking net reductions in the final year.

V LOCAL AUTHORITY CURRENT

The issues of the aggregate and distribution between services of local authority current expenditure are being handled in separate multilateral discussions. Decisions were taken in July on 1984-85. Inter alia these increased the education baseline by £177 million.

The Chief Secretary has proposed provision for services in 1985-86 and 1986-87 which implies growth in cash of 3½ per cent and 3 per cent in the two years; and provision for aggregate expenditure (including the margin which is not allocated between services) implying growth of 1¾ per cent

in each year. The Secretary of State for the Environment has proposed instead increases in aggregate provision of 3 per cent and 2 per cent in each year. The Secretary of State for Education and Science supports the latter proposals.

Neither set of proposals goes down to the level of individual services. The distribution between services will be determined once the totals have been decided. Sir Keith Joseph is seeking cash increases of $3\frac{1}{2}$ per cent and $2\frac{1}{2}$ per cent for education.

HE2 Division
H M Treasury
13.10.83

Educational file

~~PRIME MINISTER~~

Andaw
Not seen by the PM.

BBS

Sir Keith Joseph, having negotiated for some time with the Chief Secretary, has concluded that he can make no further concessions and that colleagues must judge the issues.

Rather unhelpfully he has decided to circulate all the correspondence to Cabinet colleagues (only last two exchanges attached).

- (i) This might provoke similar action from other colleagues.
- (ii) It fails to exhaust all remedies, in particular a meeting with you.
- (iii) It opens up substantive discussion earlier and with a wider range of colleagues than was proposed at your meeting with the Chancellor and Chief Secretary.

I have suggested to Sir Keith Joseph's Private Office that they either withdraw correspondence or ask other Private Offices to act upon it, until you have decided how to handle this.

Agree next step is for you to see Sir Keith next week, to try and resolve before Cabinet?

AT

12 October 1983



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

11 October 1983

Dear Chief Secretary,

1983 SURVEY

Thank you for your letter of 6 October.

As the Treasury's note of our meeting on 28 September records, I agree wholeheartedly with our overall strategy on public expenditure. But:-

- i. the long term scenarios about the economy and public expenditure now released to the press show that, alone among major programmes, education will take a declining share of GDP even on present policies;
- ii. in our Election Manifesto we took credit for the record pupil teacher ratio and increased access to higher education, and promised a further improvement in standards;
- iii. yet, as I pointed out in my letter of 6 July, the baseline for education as it stands provides for an 11 per cent reduction in expenditure in cost terms for the four years from 1982-83 while the weighted average of projected pupil and student numbers falls only by 5 per cent. This would mean, I said, "a sharp fall in standards of provision at all levels" and "a severe deterioration in pupil teacher ratios and less access to post-compulsory education."

/This

The Rt Hon Peter Rees QC MP
Chief Secretary
Treasury
Parliament Street
LONDON SW1P 3AG

This is the background to our recent exchanges. In your letter of 5 September, and when we met on 28 September, you asked for:-

- i. substantial savings in the voluntary (mainly church) and direct grant colleges;
- ii. a reduction in grant to the Open University;
- iii. cuts in support for students by means of a further reduction in the real value of the grant itself, a stiffer means test and other measures; and
- iv. "efficiency" savings in the universities as a prelude to
- v. a 5 per cent reduction in grants to the universities in 1986-87.

I was willing to meet you in full on the first four of these proposals provided, in the case of the fourth, that the baseline against which the savings were scoped was realistic. On the fifth, I accepted that by this time next year we should be able to identify substantial and growing savings in the second half of the 1980's. (But, as you know, I shall want to retain these in my programme in order to improve standards in the schools.) You for your part have accepted only the need for inescapable estimating increases related to the larger number of students in higher education for which, as I have said, we took credit in the Manifesto (and of which about half the cost has already been reflected in savings in social security) and to the impact on international subscriptions paid from the science budget of the decline in the value of sterling.

① You have refused to accept the modest and much reduced additions to the university baseline, both capital and current, which are inescapable if its real value is to be maintained in accordance with the Prime Minister's undertakings in her letter of 7 June to the Association of University Teachers. ② You have also rejected my proposals, again very much reduced, for additional capital expenditure on schools and colleges, to be financed out of the very much larger savings you are seeking in other elements of local authority capital expenditure. The purpose of this addition is mainly to secure subsequent savings in current expenditure through the elimination of surplus places by rationalisation of the stock. You acknowledged on 28 September that you would have found this proposal attractive "in other circumstances." Finally, you have resisted, and declined (in your letter of 3 October) to discuss with colleagues concerned, Patrick Jenkin's proposals for local authority current expenditure after 1984-85, which I support even though they would imply an annual reduction in cost terms of about 2 per cent. Since education accounts for half the total, I have a large stake in this.

/I agree

I agree with you that our Cabinet colleagues must now judge between us. To help them to do so I am sending them (and Sir Robert Armstrong) copies both of this letter and of all our recent exchanges ie my letters of 6 July and 4 October, yours of 5 and 30 September and 6 October and the record of our meeting on 28 September. Meanwhile, since you have not provided an adequate baseline for the universities, I am bound to withdraw the savings there that I offered in my letter of 4 October.

Elizabeth Hodgkins

pp approved by the Secretary
of State and signed in
his absence

01 OCT 1983

0021274
0000000

cc O Letwin

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

F E R Butler Esq
Principal Private Secretary
10 Downing Street
LONDON SW1

11 October 1983

Dear Robin, FERB

Thank you for your letter of 7 October. The information on school unit costs contained in my letter of 5 October was taken from statistics prepared by CIPFA on the basis of local education authorities' budgets and did indeed exclude debt charges, revenue contributions to capital outlay and overheads in the form of local authority and DES administrative expenditure. The cost of debt charges (which are not of course part of public expenditure in the ordinary sense) varies with interest rates in force at the time and the average age of an authority's building stock. The reported cost of local authority education administration varies according to the accounting practices of individual authorities, especially as to the extent to which central administrative expenditure is recharged to individual services. The cost per pupil can only be estimated by dividing between sectors pro-rata to gross expenditure the total cost of administration expenditure but on average adds only 5 per cent to the unit costs we have already given. DES administrative costs are equivalent to less than £5 per pupil.

*Yours,
Elizabeth*

MISS C E HODKINSON
Private Secretary

Educative : Expenditure : Pt 3

CONFIDENTIAL

7 October 1983

Policy Unit

MR TURNBULL

RAISING STANDARDS IN SCHOOLS

Sir Keith Joseph said, at his recent meeting with the Prime Minister, that he would be writing to restate the case made in his minute of 21 September. The proposal put forward in his minute of October, is essentially the same as before: he wishes to give the teachers an extra £150 million in return for their agreement to (1) assessments of performance, and (2) more flexible pay-scales.

Sir Keith wishes mainly to give local authorities a means of 'pruning away' incompetent teachers. But, as the Chief Secretary has pointed out in his minute of 5 October, we have no reason to believe that the Authorities will have the strength of will to engage in such pruning, even if regular assessments of teacher-performance become available. The £150 million is likely to be wasted.

Nevertheless, Sir Keith's aim is surely correct: we do need some means of ensuring that poor teachers are removed. We ought to devise some more effective scheme for fulfilling this aim, without adding to public expenditure. One method might be to suggest that Sir Keith should set up a small group of officials, advisers and sympathetic experts to consider the matter.

OLIVER LETWIN

DRAFT PRIVATE SECRETARY LETTER TO THE DEPARTMENT OF EDUCATION
AND SCIENCE

Standards in Schools

The Prime Minister has seen your Secretary of State's minute of 7 October as well as the Chief Secretary's minute of 5 October. She is very sceptical about the proposal which amounts to giving people more for doing competently what they are paid to do anyway. She is also unconvinced that there is any way of ensuring that the local authorities deliver their side of the proposed bargain. She therefore believes that the Local Authorities Association should not be encouraged to offer a higher pay settlement in return for regular assessments and flexible pay scales.

The Prime Minister does, however, recognise that it would be highly desirable to find some means of enabling local authorities to weed out poor teachers. She therefore suggests that your Secretary of State might consider setting up a small group of official advisers and outside experts to consider how this might be achieved.

CONFIDENTIAL

6 October 1983

Policy Unit

MR BUTLER

EDUCATION: UNIT COSTS

The unit costs of primary and secondary schooling cited in Miss Hodgkinson's letter to you of 5 October, are misleadingly low. They exclude debt charges, revenue contributions to capital outlay, and local authority and DES administrative expenditure.

Unfortunately, I do not have many figures of my own for genuine unit costs. But I do know that, including the items mentioned above, one arrives at an estimate of £803 per primary school child and £1135.5 per secondary school child, in England alone, in 1983-4. These figures are, respectively, £143 and £210.5 higher than Miss Hodgkinson's figures for England and Wales. There is no reason to suppose that the difference is caused by the exclusion or inclusion of the Welsh, who are neither more prudent nor more prodigal than their English counterparts in these matters.

When Dr Boyson was at the DES, he fought a sustained campaign to ensure that unit costs were represented in a way that made them comparable to the costs of independent education -- i.e. that they should include debt charges etc. It would be a pity if the Prime Minister were to capitulate to the DES on this point.

Would you be willing to ask Miss Hodgkinson for a new set of figures, representing the full unit costs?

OLIVER LETWIN

CONFIDENTIAL



NOTED

Treasury Chambers, Parliament Street, SW1P 3AG

6th October 1983

Rt Hon Sir Keith Joseph M.P.
 Secretary of State for
 Education and Science
 Elizabeth House
 York Road
 London SE1 7PH

Dear Secretary of State

1983 SURVEY

Thank you for your letter of 30 September. (4 October)

I am grateful to you for the further efforts you have made to meet me. I have considered carefully whether, for my part, I can offer you some additional help without putting at risk the overall objectives we have set ourselves for this year's Survey. Leaving out of account the balance of your science bid, which we are to discuss with the Prime Minister on 19 October, the total of your bids amounts to:

	£ million		
	1984-85	1985-86	1986-87
	137	150	154

- against which you are offering savings of:

32	61	82
----	----	----

(The additional across-the-board savings resulting from our decision on public sector pay are of course to be incorporated in the baseline, and are not relevant to the negotiations on individual services).

- implying a net addition to the baseline of:

101	89	72
-----	----	----

2. As I said in my letter of 30 September, it will be very difficult to contemplate net additions to your baseline for the first two years and I had been hoping for some reduction in the final year. I might none the less have felt able to offer some very modest improvement on my position had I had any reason to think that it would enable us to reach agreement. I fear however that the sums at stake are too large; and that we must now leave the issues for collective discussion unless you feel able on reflection to modify your position.

3. I have already responded separately to your minute to the Prime Minister about teachers' pay.

4. I am copying this letter to John Stradling Thomas and Allan Stewart.

Yours sincerely

J. Gier

for PETER REES.

[Approved by the Chief Secretary]

cc Questions

cc. Mr. Mount



Prime Minister

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

Some useful figures below
on comparative cost of different
education authorities, similar to the
figures of different costs
of hospital treatments
used by Mr. Woodrow
Wyatt.

FERS

5.10.

5 October 1983

F E R Butler Esq
Principal Private Secretary
10 Downing Street
LONDON SW1

Dear Robin,

1. You asked for briefing on comparative costs of various activities in education: primary schooling; secondary schooling; and higher education. Charlotte Stephens has also been making similar enquiries, and this letter is a composite response.

2. The following figures show expenditure per primary and secondary pupil nationally, for ILEA and for other types of authority, from 1978-79 to 1983-84. They are taken from statistics published by CIPFA (extract enclosed) and based on returns from local authorities. At Charlotte's request they are at constant prices (1981-82 prices) and are rounded to the nearest £5. For simplicity's sake figures for 3 years only are shown.

		£ 1981-82 outturn prices		
		1978-79	1981-82	1983-84
ILEA	primary	920	1015	1050 →
	secondary	1270	1380	1520 →
Outer London Boroughs	primary	650	700	740
	secondary	960	1000	1045
Metropolitan District Councils	primary	565	620	665 →
	secondary	845	865	895 →
Shire Counties	primary	555	595	620
	secondary	850	855	885
England and Wales	primary	585	630	660
	secondary	875	890	925

3. I should add that these are raw figures which need to be treated with some caution. Differential changes over time will have been influenced by differential changes between authorities in the rate at which school rolls have fallen and the number of pupils staying on beyond 16 have risen. Differences in expenditure between authorities

have been influenced by, first, London weighting, which adds some 8 per cent to ILEA's costs and about 6 per cent to Outer London Boroughs' costs, and, second by the greater concentration of children with additional educational needs in cities; this latter factor is recognised in the RSG mechanism and for example adds about 12 per cent to ILEA's costs.

4. In higher education, we do not have figures for individual institutions that can usefully be compared. The matching analogy to Woodrow Wyatt's article on hospitals would be a comparison of the cost of producing, say, an engineering graduate in various polytechnics or universities rather than a comparison of the overall cost of those institutions themselves. Officials are working with representatives from both HE sectors in an attempt to produce such figures, but there are many tedious technical problems involved in deriving an agreed basis for comparison of data. The best we can do is to give you our estimate of the institutional cost in 1983-84 (at 1983-84 cash prices) per undergraduate student: £2,700 in universities (after deducting the cost of research); and £2,400 in polytechnics and other colleges. Within each sector there will be fairly wide variations from these figures, but most of this will be accounted for by variations in the subject mix of the institutions.

Whilst not giving you much joy on HE, therefore, I would hope that the information on schools will provide a useful example for the Prime Minister's speech.

Yours,

Elizabeth

MISS C E HODKINSON
Private Secretary

UNIT COST STATISTICS

NOTE.

1. November 82 Prices
 2. Figures not necessarily on same basis in terms of expenditure on pupils, ∴ not directly comparable

CIPFA Educational
 Statistics
 1983-84

UNIT COSTS (Excluding Boarding and Agency) £													
Primary and MDP		Secondary and Middle Deemed Secondary										Special	
Income	Net Expenditure	Employees					Premises	Supplies and Services		Other Costs	Income	Net Expenditure	Net Expenditure
		Teaching Staff	Educational Support Staff	Premises Related Staff	Admin. and Clerical Staff	Other Employee Expenses		Books etc.	Other				
(399)	(400)	(401)	(402)	(403)	(404)	(405)	(406)	(407)	(408)	(409)	(410)	(411)	(412)

LONDON														
ILEA	4	1113	926	77	126	56	9	233	68	48	76	6	1613	4164
OUTER LONDON BOROUGHES														
Barking & Dagenham	5	813	728	38	67	18	-	142	39	13	31	12	1065	3924
Barnet	5	781	785	43	68	17	3	131	44	20	34	9	1136	4087
Bexley	1	691	681	20	59	21	-	127	40	10	29	2	985	3450
Brent	6	988	869	40	84	15	-	202	50	13	60	20	1313	4961
Bromley	2	715	707	29	54	18	-	151	46	12	34	2	1049	2869
Croydon	4	735	704	28	53	23	-	157	41	17	34	4	1052	3700
Ealing	2	906	804	31	72	17	-	141	50	13	52	5	1175	4504
Enfield	4	705	723	37	55	17	-	132	49	11	26	9	1041	4856
Haringey	8	1006	946	57	105	32	-	148	55	16	58	37	1380	4998
Harrow	38	643	821	51	63	26	1	140	50	14	48	51	1163	3914
Havering	3	692	752	31	76	16	3	135	46	11	29	4	1094	3088
Hillingdon	3	781	716	48	62	19	1	161	45	12	46	7	1103	3638
Hounslow	2	825	731	33	62	26	2	142	40	13	43	10	1082	5188
Kingston-upon-Thames	9	700	707	24	38	18	-	113	58	2	25	9	974	3600
Merton	4	771	664	17	47	26	-	116	40	3	23	10	926	3882
Newham	5	921	839	33	82	22	4	196	47	15	65	6	1296	4063
Redbridge	5	692	740	38	64	22	-	148	43	12	30	6	1092	2979
Richmond-upon-Thames	2	767	696	21	58	15	-	148	37	1	33	7	1001	4654
Sutton	6	655	667	30	45	23	-	125	36	12	35	3	972	3154
Waltham Forest	3	803	846	33	61	26	1	189	45	9	47	3	1253	4596
TOTAL (20)	6	784	755	34	64	21	1	148	45	12	39	10	1109	4053
METROPOLITAN DISTRICTS														
GREATER MANCHESTER														
Bolton	3	615	656	19	45	15	2	108	39	10	30	3	920	2524
Bury	1	623	695	21	57	17	8	114	36	15	29	3	989	3442
Manchester	2	775	749	31	60	23	13	181	54	13	36	3	1156	3272
Oldham	1	677	618	18	44	15	-	134	38	9	26	3	897	2732
Rochdale	3	684	724	18	65	26	-	159	36	10	24	5	1057	2989
Salford	1	698	699	17	57	18	-	123	49	2	26	2	989	2496
Stockport	1	623	645	13	39	21	1	115	36	11	21	1	900	2675
Tameside	1	682	655	15	43	18	16	115	32	8	31	2	932	2724
Trafford	1	644	665	22	56	18	14	103	27	13	22	3	936	2975
Wigan	-	670	685	2	49	37	5	113	37	9	27	4	959	3040
MERSEYSIDE														
Knowsley	1	743	734	19	69	25	13	123	37	9	48	4	1072	2854
Liverpool	1	814	691	30	70	15	7	165	41	9	54	3	1080	3273
St Helens	-	627	669	14	49	19	1	121	27	8	40	4	943	3427
Sefton	2	647	657	22	46	20	4	108	36	10	22	6	919	2821
Wirral	1	641	645	15	41	17	3	104	30	12	35	2	900	3125
SOUTH YORKSHIRE														
Barnsley	1	770	630	16	44	17	2	139	32	17	22	3	915	3345
Doncaster	2	759	666	21	47	16	4	139	34	12	28	2	964	2508
Rotherham	1	679	633	19	43	17	-	120	31	13	21	2	895	2991
Sheffield	2	812	709	25	47	22	2	163	40	13	39	8	1052	3019
TYNE AND WEAR														
Gateshead	3	749	689	14	42	10	-	141	35	12	15	3	954	2386
Newcastle upon Tyne	1	825	758	31	62	16	2	155	27	10	46	3	1102	2594
North Tyneside	2	741	707	18	45	16	2	135	38	6	20	3	985	3047
South Tyneside	4	749	722	18	45	12	1	152	41	12	27	4	1027	3030
Sunderland	2	681	657	24	40	17	2	130	30	9	26	2	933	2339
WEST MIDLANDS														
Birmingham	2	653	658	15	51	15	5	120	23	16	14	4	914	2870
Coventry	3	723	667	32	54	26	1	150	35	9	23	7	990	3495
Dudley	2	596	637	12	33	17	-	107	34	11	14	5	862	2449
Sandwell	3	714	682	20	46	15	8	150	36	9	21	3	983	2424
Solihull	4	672	623	23	37	12	2	131	38	9	20	7	887	2568
Walsall	2	785	720	29	63	23	1	153	40	1	44	2	1072	3046
Wolverhampton	2	830	698	28	48	17	5	136	46	8	29	8	1006	3915
WEST YORKSHIRE														
Bradford	1	753	583	10	41	11	3	128	30	10	32	1	847	3331
Calderdale	3	673	619	22	38	9	3	106	29	11	43	3	876	4132
Kirklees	1	644	608	19	43	17	-	96	33	8	23	1	845	3307
Leeds	1	695	645	15	45	18	2	105	14	10	35	4	884	3131
Wakefield	3	683	608	17	42	12	2	93	24	10	29	54	784	2253
TOTAL (36)	2	705	665	19	49	18	4	128	33	10	29	5	950	2966

UNIT COST STATISTICS

UNIT COSTS (Excluding Boarding and Agency) £													
Primary and MDP		Secondary and Middle Deemed Secondary										Special	
Income	Net Expenditure	Employees					Premises	Supplies and Services			Income	Net Expenditure	Net Expenditure
		Teaching Staff	Educational Support Staff	Premises Related Staff	Admin. and Clerical Staff	Other Employee Expenses		Books etc.	Other	Other Costs			
(399)	(400)	(401)	(402)	(403)	(404)	(405)	(406)	(407)	(408)	(409)	(410)	(411)	(412)

ENGLISH COUNTIES

Avon	2	674	675	22	39	20	6	141	35	13	47	4	993	3181
Bedfordshire	5	738	622	25	45	21	5	154	39	8	59	7	971	3123
Berkshire	3	678	666	19	47	17	3	134	36	12	44	5	973	2953
Buckinghamshire	6	650	678	26	35	17	3	132	41	15	82	9	1019	3308
Cambridgeshire	3	628	631	15	39	20	2	118	31	11	65	6	925	2740
Cheshire	3	701	647	26	43	26	9	127	35	11	43	4	962	3282
Cleveland	1	675	654	24	46	17	3	155	39	12	24	4	970	2453
Cornwall	2	607	640	16	35	16	1	84	36	8	82	5	913	3464
Cumbria	2	717	656	22	52	17	1	112	38	11	64	3	971	4578
Derbyshire	1	660	624	27	41	11	1	114	47	10	49	3	921	3116
Devon	2	616	630	21	36	16	2	99	30	10	76	4	916	2819
Dorset	3	659	618	17	36	16	1	121	34	8	56	4	904	2250
Durham	1	686	628	10	43	9	6	110	28	10	59	4	899	2878
East Sussex	3	648	644	28	38	24	2	106	39	12	51	8	935	2882
Essex	4	619	628	24	44	16	1	129	34	13	53	9	933	2587
Gloucestershire	2	634	643	22	35	17	5	122	34	10	56	5	939	2182
Hampshire	2	636	640	21	43	18	1	127	32	11	49	3	938	2976
Hereford & Worcester	4	627	605	14	36	13	4	113	31	10	45	6	865	3033
Hertfordshire	6	670	692	20	44	21	-	140	35	12	33	11	987	3262
Humberside	1	722	637	15	49	13	2	142	38	8	35	3	935	2842
Isle of Wight	2	705	601	26	39	20	1	115	41	8	64	5	911	2747
Kent	3	609	630	19	31	18	1	99	43	11	61	7	906	2549
Lancashire	1	622	650	13	45	20	-	116	36	8	47	5	930	2814
Leicestershire	1	676	666	22	48	17	-	129	37	12	36	2	966	3066
Lincolnshire	2	618	646	12	35	11	1	108	35	10	71	4	926	2761
Norfolk	2	682	650	22	34	13	-	119	33	10	70	4	947	3003
Northamptonshire	2	629	635	17	42	16	-	117	38	11	51	6	921	2576
Northumberland	3	676	620	11	49	10	5	122	29	6	59	7	904	3010
North Yorkshire	2	708	655	19	40	16	1	128	38	12	63	3	969	2819
Nottinghamshire	2	728	679	27	48	17	3	131	48	11	36	6	993	3066
Oxfordshire	4	664	643	22	42	19	2	128	41	11	61	14	956	3847
Shropshire	3	664	661	19	40	19	-	117	29	10	62	4	954	3196
Somerset	8	614	584	25	37	23	-	105	48	9	71	13	889	2428
Staffordshire	2	736	652	17	44	15	1	127	36	11	44	3	944	2850
Suffolk	3	688	610	19	31	13	1	125	40	1	53	2	891	3134
Surrey	3	656	692	20	43	25	-	129	38	14	48	5	1004	2946
Warwickshire	2	654	637	18	37	14	-	115	38	11	52	5	916	2532
West Sussex	2	613	620	22	34	17	-	116	32	11	43	3	891	3428
Wiltshire	2	618	624	17	42	23	1	118	34	9	48	5	910	2695
TOTAL (39)	3	659	644	20	41	17	2	123	37	10	52	5	940	2906

WELSH COUNTIES

Clywd	1	709	643	14	36	17	8	111	41	11	64	1	943	3751
Dyfed	1	745	692	17	38	14	-	106	36	13	98	2	1012	2591
Gwent	1	746	672	20	54	22	3	116	33	13	80	1	1010	4191
Gwynedd	2	742	680	10	29	11	-	103	30	12	105	2	978	3224
Mid Glamorgan	3	756	640	15	45	12	2	128	33	11	74	2	958	3328
Powys	6	881	683	18	45	17	1	140	37	11	129	6	1075	4057
South Glamorgan	4	643	662	14	51	15	4	120	34	15	40	4	949	3321
West Glamorgan	1	746	709	30	56	18	6	146	37	13	88	2	1102	4348
TOTAL (8)	2	735	668	17	45	16	4	120	35	12	78	2	993	3570

NATIONAL AGGREGATES

London (21)	5	886	807	47	83	31	3	174	52	23	50	9	1261	4104
Met. Districts (36)	2	705	665	19	49	18	4	128	33	10	29	5	950	2966
Non-Met. Counties (47)	2	667	646	20	42	17	2	123	37	11	54	5	945	2949
TOTAL (104)	3	703	669	23	48	19	3	130	37	12	48	5	982	3124

CONFIDENTIAL

FROM: THE CHIEF SECRETARY, D

DATE: 5th October 1983



NO

PRIME MINISTER

RAISING STANDARDS IN SCHOOLS

The Secretary of State for Education and Science copied to the Chancellor and myself his minute to you of 21 September.

I should make first the procedural point - which I do not wish to labour - that the proposal amounts to a Survey bid of £150 million on local authority current expenditure in 1985-86 and/or 1986-87; and that there has been no previous consultation with Treasury Ministers or officials. Of the partially off-setting savings tentatively offered, we lack machinery to secure delivery of some and the remainder will be needed in any event to compensate for inescapable bids elsewhere.

Even had the bid been submitted and considered in the normal way, I would not have been able to recommend colleagues to accept it. It poses serious difficulties for both the short and the medium term. In the short term, it would be quite incompatible with our efforts to get to grips with the aggregate of local authority current expenditure and would give a most unhelpful signal to other pay groups. An offer to the teachers of, in effect 3 per cent above basic rates would sabotage our attempts to hold the line on affordability grounds elsewhere.

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None of this is to deny that in the longer term a revised structure of pay and conditions could make a significant contribution to the more effective deployment of the teaching force. But to be effective this must come from the employers themselves who would need both to be convinced of its value to them and to be induced to operate it with the necessary rigour. And it would be very dangerous in my view to agree with them at the outset to underwrite an increase in the teachers' pay bill substantially in excess of that arising from the normal annual settlement.

Following Megaw, we are of course considering for the Civil Service the possibility of such concepts as performance related pay which could provide valuable incentives. Even though the levers of management here are in our own hands we all recognise that serious practical difficulties would need to be overcome in order to ensure that such a reform would realise its potential and - if it was going to cost any additional money - was worthwhile. Design and monitoring of a rigorous and credible assessment system would be crucial, as would the willingness of managers to make hard-headed judgments about performance. And all concerned would have to recognise the possibility of there being losers as well as gainers.

These difficulties seem to me to loom much larger in the case of teachers, where management has been deplorably weak and irresolute in the face of well-organised and deeply-entrenched professional interests. To take a recent example, falling school rolls have provided the employers with the ideal opportunity to get rid of the dead wood recruited in the 1960s. A few figures drawn from successive Public Expenditure White Papers illustrate the extent of their failure to exploit it:-

- in Cmnd 8175 we said we expected local authorities in England to employ 386,000 teachers in academic year 1983-84;

March 1981
Public Expenditure
White Paper

1982 PEWP

- in Cmnd 8494 we revised that figure to 390,000 and in Cmnd 8789 we revised it again to 'up to 400,000';

1983 PEWP ←

- the local authority associations predicted this summer that the true figure would be 411,000.

In the light of this experience, I frankly doubt whether we could really trust the employers to make candid assessments of the performance of their staff and back their judgment in public by pay differentials and disciplinary decisions. We would risk getting the worst of all worlds: a substantial increase in the pay of the great majority of teachers with none of the benefits the Secretary of State foresees from the new arrangements.

If there are any elements in the Secretary of State's proposals which are not open to abuse in this way and which involve no additional pressures on public expenditure, I would be content for these to be pursued with the employers. But I would want my officials to be satisfied on the basis of a full statement of what was involved that these conditions were met.

I am copying this minute to the Secretary of State for Education and Science, the Chancellor and Sir Robert Armstrong; and, with copies of the earlier correspondence, to the Secretaries of State for the Environment and for Scotland and to the Minister of State, Privy Council Office.

PETER REES

Ed : Rhy PT-3

11



Chief Secretary and Secretary

110000



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

3

4 October 1983

Dear Peter,

1983 SURVEY

Thank you for your letter of 30 September.

DES and Treasury officials have discussed the outstanding issues on expenditure, and have narrowed the gap between us very considerably. The attached table sets out the revised figures that officials here put forward, which I endorse.

You will see that, since our meeting on 28 September, I have substantially reduced my bids for university capital and current expenditure; accepted the need for savings after 1984-85 on the Open University; and also accepted the case for some "efficiency" savings in the universities, provided that the baseline from which they are scored is realistic. Treasury officials have more details of the figures.

There are I think now only two major issues between us:-

Local authority capital: Last week, in proposing £50m a year, I reduced my original bid by three quarters. You acknowledged the merits of the case, which is essentially that the stock is deteriorating far too fast and that savings in current expenditure depend on extra capital expenditure. I have to be in a position to secure the savings I make possible by decisions on school closures which I have taken and will continue to take.

/University

The Rt Hon Peter Rees QC MP
 Chief Secretary
 Treasury
 Parliament Street
 LONDON SW1P 3AG

University current expenditure 1986-87: You have again proposed that we should embark now on a further round of cuts in university funding, beginning in 1986-87. I am certainly prepared to consider this, and in the light of our experience with the previous round it is clearly important to give early warning of our intentions. But I look to the UGC for advice on the scope for savings and, as Treasury officials will know, they have just embarked on a strategy exercise which will include the examination of the scope for substantial reductions in taxpayer support. It is not reasonable to ask me to pre-empt that exercise by committing myself in this year's PES to a particular level of policy savings in 1986-87. Indeed, to do so would conflict with the undertakings which the Prime Minister gave in her letter of 7 June to the AUT. But, as you will see, I have accepted the need for efficiency savings which rise to over £20m by 1986-87.

You will know from my letter of 6 July that, following the election, I carefully scrutinised the bids submitted to me by officials here before putting them forward to colleagues. I have now reduced those for Vote and local authority capital expenditure by more than half, and I do not think you ought to press me further. The Government was elected on a manifesto which claimed credit for increased expenditure per child and greater access to higher education and committed us to pressing on with the vital task of raising standards. My programme must be judged in this context and, as you know from my minute of 21 September to the Prime Minister, I need every saving I can find to help secure a better pay structure for teachers.

On DES manpower, officials here will be in touch shortly with the Treasury.

I am copying this to John Stradling Thomas and Allan Stewart.

You can

Kear

	£m		
	1984-85	1985-86	1986-87
<u>Additions</u>			
<u>A - already agreed</u>			
Student grants	40	50	45
Science (international subscriptions)*	6	8	7
	<hr/>	<hr/>	<hr/>
	46	58	52
	<hr/>	<hr/>	<hr/>
<u>B - others</u>			
Local authority capital (including aided schools)	50	50	50
University capital**	12	12	12
University current	25	30	40
	<hr/>	<hr/>	<hr/>
	87	92	102
	<hr/>	<hr/>	<hr/>
<u>C - reductions</u>			
Grant aided institutions (including O.U.)	5	7	10
University current (efficiency)	7	14	22
Student grants***	20	40	50
3% pay factor	23	24	25
	<hr/>	<hr/>	<hr/>
	55	85	107
	<hr/>	<hr/>	<hr/>

*Remainder of additional bid to be discussed on 19 October

**With relaxation on capital receipts

***No alternative savings if rejected by Cabinet.

Education Policy



089
Mr Lebowitz

10 DOWNING STREET

From the Principal Private Secretary

7 October 1983

Quotations

Many thanks for your letter of 5 October about comparative costs of activities in education. The information in it is very useful.

BF | There is one comment which the No. 10 Policy Unit have made to me. It is that they understand that the unit costs in your letter exclude debt charges, revenue contributions to capital outlay and overheads in the form of local authority and DES administrative expenditure. Is this argument familiar to you? And do you have alternative figures which include these additional items?

FERB

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



Treasury Chambers, Parliament Street, SW1P 3AG

30th September 1983

Rt Hon Sir Keith Joseph MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
London SE1 7PH

Dear Secretary of State

I thought it would be helpful if, in advance of the full note which we will be circulating separately, I were to set down briefly the main points to emerge from our meeting yesterday.

2. To take your bids in order (numbering as in my letter of 5 September):

- you have withdrawn bids 1-3 and replaced them with a single bid for capital expenditure on schools and FE of the order of £50 million in each year. You asked me to consider whether this could not be met by reallocation from other local authority capital programmes which have been underspent in the past. We explained however that, while I was pressing hard for economies on other programmes, any savings would be needed to offset other, clearly inescapable, bids.
- Your bid 4 (universities capital) stands, subject to modification if we were to agree to a further relaxation of the rules on treatment of university disposals of assets. Our officials are to examine further the individual components and to discuss with DHSS the element related to medical and dental schools.
- You have withdrawn bids 5 (IT in FE) and 8 (adult and continuing education.)

- Your bids 6 (universities current), 7 (student awards) and 9 (science) stand. Officials are to examine further the 'inescapable' elements of 6. I have agreed 7. I have conceded the element of 9 (£6 million, £8 million, and £7 million in the three years) which is related to the increased costs of international scientific collaboration; whether I will be able to assist you on any of the other components will depend on the outcome of the Prime Minister's meeting on 19 October.

To summarise, your remaining bids now add up to (£ million):

	175	225	265
I have agreed bids of:	46	58	52
leaving a balance to be resolved of:	129	167	213

3. Turning now to savings:

- we have agreed that officials should discuss the scope for negotiable savings on student awards, amounting perhaps to:

20	40	50
----	----	----

- We have agreed that savings should be sought in the Open University. We did not decide on a firm figure, but I would suggest that we think in terms of:

3	3	5
---	---	---

I appreciate however that you believe it would be very difficult to secure any reduction in the first year; again officials can discuss.

- We have decided that withdrawal from CERN is not worth pursuing. I pointed out however that the size of our international commitments has a bearing on the size of the domestic programme we can afford.

- We have agreed that savings should be achieved in the direct grant colleges amounting to:

5	5	5
---	---	---

- we discussed the prospects for savings in universities' housekeeping. You rightly reminded me that administration proper accounts for only a small proportion of university costs. I think however that we need to take a wider look at the generality of support services. Parallel studies in Government research establishments and Research Councils have identified the scope for significant reductions by way of, for example, improved arrangements for purchasing and storekeeping and also (on capital account) from sales of surplus assets. It would be surprising if economies in these areas were not found to be equally practicable in the universities; and perhaps also in such activities as the running of halls of residence and catering. I suggested that an efficiency study should be undertaken in a small sample of institutions. We spoke also about the need for further rationalisation and reduction in unit costs from the final year of the Survey period onwards, taking account inter alia of the coming reduction in student demand; and about the prospects, probably less immediate, of a substantial increase in private funding. I remain of the view that we should be thinking of reducing university grant by £75 million in 1986-87, perhaps with some modest efficiency savings in the earlier years. You agreed to reflect further, in the light of discussion with Sir Peter Swinnerton-Dyer, and to let me know the outcome within a week or so.

We are already agreed then on savings approaching:

28 48 60

and are to examine the position of the universities further.

4. I am, needless to say, most grateful for the help you have already given me and for your understanding of my position. I am concerned however that the gap between what you are seeking in the interests of your programme and what I can afford to offer in view of other inescapable claims remains so wide. Acceptance of your total bids, offset by the savings so far agreed, would entail net additions to your baseline of nearly £150 million in the first year rising to over £200 million in the third. Even if it proved possible, following the Prime Minister's meeting, to help you further on science by reallocations from the programmes of other colleagues, and even if, as I hope, we make some headway on savings in the universities, I would find it very difficult to agree to anything approaching the entirety of your outstanding items. It remains my belief that it will be very difficult to contemplate additions to your baseline in years 1 and 2 and I would very much hope that we could achieve a reduction, however modest, in the final years. It would be extremely helpful therefore if you could reflect further over the next few days on the possibility of withdrawing or modifying some of your outstanding bids.

5. On manpower, Barney Hayhoe and I explained that, in view of the general policy colleagues have agreed for the years after 1984, we would have to ask you to review your present plans with the aim of establishing a target for 1 April 1988 significantly below that for 1 April 1984. You kindly agreed to re-examine your proposals, with particular reference to the future of your Architects and Buildings Group.

6. I am copying this letter to John Stradling Thomas and Alex Fletcher.

Yours sincerely

J. Peter Rees

J. PETER REES

[Approved by the Chief Secretary]

CONFIDENTIAL



*Education file
to be taken to Sir K
Joseph letter of 16 Oct
and CST of 6 Oct*

NOTE OF A MEETING HELD IN THE CHIEF SECRETARY'S OFFICE AT 5:00 pm
ON WEDNESDAY 28 SEPTEMBER 1983

Those present: Chief Secretary (in the Chair)
Minister of State
Mr Bailey
Miss Kelley
Mr Mountfield
Mr Faulkner
Mr Gieve
Mrs Imber
Mr Ridley

Mr J Stradling Thomas MP (Parliamentary Secretary,
Welsh Office)

Mr Jeremiah

Mr A Stewart MP (Parliamentary Secretary, Scottish
Office)

Mr Mitchell - SED

Secretary of State for Education and Science
Mr Hancock
Mr Bird
Mr Jameson

1983 PUBLIC EXPENDITURE SURVEY - DES

DES Bids

The Secretary of State for Education and Science stressed that he agreed wholeheartedly with the overall strategy for public expenditure and was aware of the many pressures on other programmes. He had therefore re-examined his original bids in order to contain them to the bare minimum compatible with the Manifesto commitments and would accordingly be proposing significant reductions in the course of the meeting. Any savings he could make, beyond those to which he would refer later, would be needed to meet part of the cost of his proposals for restructuring teachers' salaries, as proposed in his minute of 21 September to the Prime Minister.

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Local Authority Capital Expenditure and Vote-Borne Capital Expenditure in Voluntary Schools

2. The Secretary of State said that, unlike other local authority capital programmes, that for education had not been underspent in recent years; indeed £47m of additional allocation had been fully spent in 1982-83. The programme had been cut back in recent years and there was now a need to expand it to accommodate:

- i) adaptations to school buildings necessitated by closures and mergers which would reduce current costs;
- ii) repair work required as a result of poor maintenance of schools and colleges in earlier years;
- iii) major improvements to remedy defects in many schools built in the 1950s and 1960s.

He was now ready to reduce his bids in these areas from over £200m to something of the order of £50m-£70m in each year.

3. The Chief Secretary enquired whether there was not scope for local authorities to increase the amount of gross expenditure compatible with the net baseline by way of a vigorous programme of sales of surplus assets particularly where school closures released valuable urban sites. The Secretary of State said that the Department saw no reason to increase its present estimate of sales receipts. Sales were indeed dependent on authorities' ability to make modifications to the schools they intended to retain in order to permit closures and mergers to go ahead. A number of education authorities with deserved reputations for cost-effective provision were making representations for increased allocations to enable them to implement this strategy. He recognised that the local authority associations had (surprisingly) failed to take the matter up as a general issue, but there was no doubt as to the strength of feelings at individual authority level. He saw little prospect of altering the distribution of the total provision for the benefit of such authorities, since the baseline was already a third lower in cash than four or five years ago; it was largely pre-empted by the need for new schools in expanding areas such as Milton Keynes.

He appreciated that even his reduced bid might be difficult to accommodate, but since other local authority services had been seriously underspent in the past there would seem to be scope for substantial reallocation between services; perhaps this could be discussed collectively by the Ministers concerned. Greater use of authorities' power to vire between their allocations for individual services would not be a sufficient remedy, since the major underspenders were not on the whole education authorities.

4. The Chief Secretary said that in other circumstances he would have found this suggestion attractive. However, overriding priority had now to be given to controlling the aggregate of public expenditure and he could not afford to redeploy in favour of education the savings in local authority capital which he was seeking from colleagues.

Vote Capital - Universities

5. The Secretary of State said that he would be able to reduce his bid if the Treasury were to allow universities to retain the entirety of their receipts from sales of assets financed by Government grant and to raise money by mortgages on such assets. The bid covered primarily:

- capital spending on medical and dental schools
- £3m-£4m in each year. This was a DHSS programme to which the UGC contributed;
- rationalisation of the London colleges;
- expenditure to make good defective buildings
- £2m-£3m;
- increased equipment grants to make up a shortfall of spending in recent years, over which the scientific community was increasingly concerned; the concept of the 'well found laboratory' was at risk.

6. The Chief Secretary said that the programme of medical and dental school building had a poor track record of control and

there must be some doubt as to the need for provision currently planned in view of the cutbacks now being announced in NHS staffing. He would be reluctant to consider increased provision on this score at least until control procedures and present plans had been reviewed. Officials should examine the position further with the UGC and DHSS. He would be content for the rules on receipts to be looked at again, but the present regime dated only from 1982 and seemed on the face of it generous in view of the established principles of Government accounting; the universities were normally allowed to retain 50 per cent of receipts, but the figure could rise to 100 per cent in the case of rationalisation scheme. He noted that even an increase to 75 per cent would be helpful to the Secretary of State, but doubted whether it would prove possible to conclude a re-examination of the present arrangements within the very tight Survey timetable. If the case for increased provision for equipment was as strong as had been suggested, it was surprising that the UGC had not accorded it a greater priority within the existing baseline.

Information technology in further education

7. The Secretary of State said that he was anxious that action should be taken in further education to match the initiatives already taken in schools. However in view of the other pressures on public expenditure he was prepared to withdraw his request for an increase in his programme on that score.

Universities - current

8. The Secretary of State said that the bid covered a number of inescapable increases in university expenditure, arising from increases in national insurance and pension contributions, pay settlements (including the clinical dons' settlement, over which the universities had no effective control), incremental drift arising from the academics' unbalanced age structure, and the positive relative price effect observed on non-pay items such as books. For the longer term he was seeking to reduce the universities' dependence on private funding, and much effort was being devoted within the Department to devising appropriate means; but it was unrealistic to expect offsetting savings from this source during the Survey period. He was however proposing separately some reductions in the cost of student awards.

9. The Chief Secretary said that he was prepared for officials to consider further whether any items in this bid were genuinely inescapable. He noted however that any prospective savings in the cost of student awards would be needed in any event to offset the effect of student numbers exceeding earlier expectations.

Student awards

10. The Chief Secretary said that he accepted the Secretary of State's bid, which reflected the best present estimate of student numbers. Were that estimate at any time to fall, however, he would require corresponding reductions in the programme.

Adult and continuing education

11. The Secretary of State said that while additional provision was in his view highly desirable it was less than essential. He was therefore ready to withdraw the bid.

Science

12. The Secretary of State said that he attached particular importance to these bids. However, recognising the difficulties they would create for the Chief Secretary he had proposed to the Prime Minister that resources be found for his programme by way of a reduction in effort of defence R and D. The Chief Secretary said that he was not unsympathetic to this proposal, which was to be discussed at a meeting arranged by the Prime Minister for 19 October. Further discussion of the greater part of the bids could be resumed (if necessary) after that meeting; meanwhile, he was prepared to concede the element of the bid (£6 million/£8 million/£7 million in the three years) which was related to the increasing cost of international scientific collaboration.

II OPTIONS FOR REDUCTIONS

Student awards - reductions in grant

13. The Chief Secretary said that he had doubts as to whether the particular measure proposed by the Secretary of State - elimination

of the home/away differential - would be acceptable to colleagues. A package of individually modest and relatively uncontroversial measures would stand more chance of success. The Secretary of State endorsed this approach. Damage to the education service would be minimised if any reductions were concentrated as far as possible in this part of this programme, but experience in earlier years had demonstrated the political sensitivity of student grant. He considered that a negotiable scheme of reductions could be devised of the order of £20 million/£40 million/£50 million in the three years. Officials should be asked to work out the details, in consultation with SED. Even so colleagues' agreement could not be guaranteed. If it failed to materialise, he could not agree to seek equivalent savings elsewhere in his programme.

Open University

14. The Secretary of State said that abolition was not feasible. However, there was scope for potential savings in administration, perhaps course provision, and conceivably higher fees (though attention would have to be paid to the effects on demand); a forthcoming report from the visiting Committee should help to illuminate this. He did not consider however that savings could be realised before 1986-87. The Chief Secretary said that he had hoped that some reduction would be possible from 1984-85, but was content for officials to be left to examine the position further.

CERN - withdrawal

15. The Secretary of State said that he did not consider the option of withdrawal from CERN worth pursuing; CERN had an outstanding record in its field, one in which the UK was very strong; domestic facilities for high-energy particle physics had been abandoned because international collaboration gave demonstrably better value for money. The Chief Secretary agreed, but pointed out that the size of the UK commitment to international science had a bearing on the domestic programme it could afford.

Grant-aided colleges

16. The Secretary of State agreed that, as the Chief Secretary had suggested, savings of the order of £5 million a year should

be sought in the grant-aided colleges in view of their relatively high unit costs.

Universities

17. The Chief Secretary said that in addition to the reduction of £75 million in university grant he had proposed for 1986-87 he was now disposed to seek savings in administration (widely interpreted) and support services for the earlier years. Experience of recent scrutinies of such expenditure in Government R and D establishments and Research Councils suggested that some form of investigation of value for money in selected universities would be well worthwhile. Thereafter, a further round of rationalisation would clearly be necessary in view of the decline in student demand expected from the mid-1980s, and the opportunity should be taken to seek to tighten up on unit costs and increase private funding. He was pleased to see that the Secretary of State had drawn attention to these factors in his recent letter to the UGC and had asked them to contemplate the possibility of a 5-10 per cent reduction in income per pupil from UGC grant and student awards by the end of the decade. It was right that this should be reflected in a substantial reduction of provision in 1986-87. The Secretary of State said that he would reflect on the possibility of a value for money scrutiny in consultation with the new Chairman of the UGC but doubted whether there was much scope for savings in the first two years in view of the size of the reductions in funding the universities had recently been required to absorb. Thereafter, while he would hope to achieve important reductions in the medium to long term, he judged it unwise to reduce provision in the present Survey at a time when the UGC had barely begun the consultative exercise which he had commissioned. His letter to the UGC had made it clear that decisions had yet to be taken on the future level of university funding. He considered too that the non-university sector of higher education should be asked to bear an important share of the necessary adjustments to the coming decline in student demand; there were serious doubts about the quality of some institutions in that sector.

III MANPOWER

18. The Secretary of State said that he remained firmly of the view that an increase in H M Inspectorate represented the best opportunity available to central Government of securing value for money from the education service. A forthcoming report on local authority FHE provision would provide good evidence of this. He could not reduce his bid on this score. He was disappointed that the Treasury's proposals appeared to be based on an indiscriminate 'top down' approach in which Departmental manpower targets were being derived from a predetermined aggregate without regard to individual circumstances. The Chief Secretary and the Minister of State said that the policy agreed by Cabinet for the years after 1984 necessitated a combination of 'top down' and 'bottom up' approaches. This did not require that all Departments should be asked to reduce their manpower at the same rate, but it was the presumption that individual targets for 1 April 1988 should normally be substantially below those for 1 April 1984. How the Secretary of State determined priorities without such a target would be a matter for him, but it was noteworthy that the reported views of the recently retired Senior Chief Inspector on the ability of the Inspectorate to improve the system seemed at variance with what the Secretary of State had said. There was possibly more scope for efficiency savings; the Secretary of State's proposals also seemed to assume an unrealistically high level of staff in post relative to complement. The Secretary of State replied that in his view the efficiency of the Department compared very well with others, not excluding the Treasury; and that while recruitment in the Inspectorate had been delayed by recent uncertainties it would be vigorously pursued under the new Senior Chief Inspector. He would like officials to consider further the justification for the complement of the Architects and Buildings Group. He would review his staff requirements generally in the light of what the Chief Secretary and Minister of State had said.

IV THE LONGER TERM

19. The Secretary of State and the Chief Secretary agreed that significant savings should be possible in the university sector in 1987-88 and 1988-89; and that introduction of a

student loans scheme remained an attractive option for major savings in the next decade.

V NEXT STEPS

20. It was agreed that:

(i) officials should meet quickly to review factual points on the outstanding bids (other than those for science which would be considered at the Prime Minister's meeting) and to consider options for a package of savings on student awards;

(ii) the Secretary of State would examine the prospects for savings on the universities, consulting the Chairman of the UGC as appropriate, and reconsider his manpower proposals with particular reference to A and B Group;

(iii) bilateral contacts would be pursued with the aim of resolving outstanding issues as far as possible during the week beginning 3 October.

HE2 Division
HM Treasury
30 September 1983

POSITION ON BIDS AND SAVINGS REACHED AT MEETING

	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>
<u>Original bids</u>			
1. Local authority capital - schools	165	185	170
2. Local authority capital - further education	40	45	35
3. Vote capital - schools	15	15	15
4. Vote capital - universities	25	25	25
5. Information technology (IT) in further education (FE)	5	5	5
6. Universities - current	25	45	70
7. Student awards (agreed bid)	40	50	45
8. Adult and continuing education	5	10	10
9. Science:			
i. continuation of existing policies	15	20	30
ii. policy developments	20	35	45
Total additional bids	355	435	450
<u>Bids as revised during meeting</u>			
1. Local authority capital - schools)			
2. Local authority capital - further education)	50	50	50
3. Vote capital... - schools)			
4. Vote capital - universities	25	25	25
6. Universities - current	25	45	70
7. Student awards (agreed bid)	40	50	45
9. Science:			
i. continuation of existing policies	15	20	30
ii. policy developments	20	35	45
Total revised bids	175	225	265

Agreed bids

7. Student awards	40	50	45
9. (part) International Subscriptions	6	8	7
	<hr/>		
Total agreed bids	46	58	52

Options for reductionsOriginal DES options:

1. Student awards - reductions in grant	20	45	105
2. Abolition of Open University	25	60	60
3. Withdrawal from European Centre for Nuclear Research	-	-	25
	<hr/>		
Total DES options	45	105	190

Original Treasury Options:

1. Grant aided colleges	5	5	} 80
2. Universities	-	-	
	<hr/>		
Total Treasury options	5	5	80

Options agreed at meeting

1. Student awards	20	40	50
2. Open University	[3]	[3]	[5](approx)
3. Direct Grant Colleges	5	5	5
	<hr/>		
Total agreed reductions	28	48	60 (approx)

Options to be further examined

Administrative and other savings in universities	[?]	[?]	75
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CCB1
Prime Minister (4)

PRIME MINISTER

RAISING STANDARDS IN SCHOOLS

1. I am at present engaged in a review of our policies for improving standards in schools with the objective of securing, during the life of this Parliament, significant improvements in both classroom work and standards of behaviour. I plan to let you and the other recipients of this minute have a paper outlining what I propose in about a month's time.

2. There is one point which I feel I must call to your attention - and that of the Chancellor and the Chief Secretary - in advance. I am convinced that policies to improve standards need to include arrangements for removing some of the weakest head and assistant teachers, much more rigorous selection and training of new teachers and heads, and more effective management by local authorities and head teachers of their teacher forces. Much of what is required was proposed in our March White Paper Teaching Quality (Cmnd 8836); and we are now starting to introduce the changes in the teacher training field.

3. I now need to move firmly towards altering the pay structure and conditions of service of teachers. We need a clear statement of the professional responsibilities of school-teachers, enforceable by contract; the introduction of a system for assessing the performance of teachers and head teachers to govern promotion, deployment and disciplinary decisions (including dismissal where necessary); induction arrangements which will prevent weak teachers becoming established in the profession; and a more discriminating salary structure which will enable employers to encourage, motivate and reward the best teachers while keeping them in the classroom. A system for assessing the performance in post of teachers and head teachers is likely to be

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critical. As you realise, I control not a single one of these factors. They all have to be negotiated between the LEAs and the teacher unions.

4. Discussions in the Burnham context about the pay structure, opened as a consequence of the 1981 pay settlement, have moved - hesitantly on the teachers' side - into this territory. The complexity of these discussions is increased by the fact that pay consequentials will fall to be settled within the Burnham Committees where my representatives are statutorily involved. Contractual matters lie outside Burnham and are primarily matters for LEA employers and teacher employees. The prospects of a successful outcome are as yet uncertain, but, if the negotiations are to be pursued seriously, I shall soon have to indicate to the leaders of the local authority negotiators (particularly Philip Merridale and Mrs Harrison, the Chairmen of the education committees of the ACC and AMA) my support for the broad principles and some recognition that, if an acceptable and achievable deal should emerge, it may have a price. It is impossible to be precise about this. But I propose to indicate to Philip Merridale (but probably not to Mrs Harrison) that, while there can be no question of Government commitment at this stage to any additional resources for teachers' pay, he need not rule out of his thinking a deal with a net cost (ie over and above annual pay settlements) of up to 3% of the school teachers' pay bill - around £150 million a year - from 1985 or 1986. Unless I am able to give him some encouragement along these lines, I doubt whether he will judge it worthwhile energetically to pursue the sort of improvements I want to see, which would firmly and systematically bite on what is required of teachers and the assessment of whether they measure up to those requirements.

5. Of course I must look hard for offsetting savings elsewhere in the education programme, and I have already embarked upon this work. The Audit Commission's work may be a help, and I will report my conclusions in the fuller paper to which I referred above. But it would be wrong of me not to record here that my present

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assessment is that, for a year as early as 1986-87, it would be difficult to deliver savings amounting to as much as half of the £150 million; and even such savings so soon could very well oblige us to incur political costs which colleagues have resisted in the past - eg cuts in the real value of student grants.

6. Unless I speak to Philip Merridale and Mrs Harrison in the next few weeks, the momentum of the negotiations may be lost. I hope therefore that you and the other Treasury Ministers will agree that I should now do so - on the very tentative lines proposed in paragraph 4 above.

7. I am sending copies of this minute to both the Chancellor and the Chief Secretary; and also, for information, to Sir Robert Armstrong.

KJ

21.9.1983.

CONFIDENTIAL

Mr Barclay To note X

MR. MOUNT

BF

c. Mr. Turnbull
Mr. Letwin

AT 4/10

When the Secretary of State for Education and Science came to see the Prime Minister yesterday he said that he had a good chance of introducing a system of assessment of teachers' performance, which would provide a means of getting rid of less competent teachers. The assessment would be by head teachers, fellow teachers and pupils (the Prime Minister expressed strong scepticism about including assessment by pupils!). Sir Keith Joseph said that in return for such a deal he would need to offer improved pay for the good teachers - about two to three per cent in three years time. This would cost £150 million of which he could find half from savings on the DES budget, and he therefore asked the Prime Minister to support him in seeking £75 million for the education budget three years forward.

The Prime Minister said that she was very sceptical about this proposal. It amounted to giving people more for doing competently what they were paid to do anyway. She doubted whether assessment by other teachers would be an effective way of identifying and getting rid of poor teachers. She argued that anyway it should be possible, if weaker teachers left the system, to finance extra pay for the competent ones by savings - she felt that teachers had too many free periods at present.

Sir Keith Joseph had expressed disappointment that the Prime Minister was not more willing to support this initiative and said that he would write to the Prime Minister. It had to be decided quickly whether Philip Meeridale (?) should take advantage of a slot on the agenda of a meeting between the local education authorities and teachers unions in three weeks time to raise this matter.

Sir Keith Joseph also said that, in the longer term (beyond the present public expenditure survey), he should be able to squeeze more money out of non-advanced further education and higher education, but this would involve a squeeze on students

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- 2 -

X/ BA which, though desirable, would be controversial. He asked what plans the Prime Minister had to open up the debate on public expenditure. The Prime Minister said she hoped to do so in her Party Conference speech. (The Prime Minister had already asked me separately to see if I could get from the Department of Education and Science figures of comparative unit costs in schools and universities, similar to those produced by the DHSS about costs of treatment in different hospitals and used with great effect by Woodrow Wyatt in the Sunday Mirror: I have asked the DES to produce what they can on this by close of play on Thursday.)

F. E. R. BUTLER

4 October 1983

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NOTED
 ✓
 COPY NO
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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph MP
 Secretary of State for Education and Science
 Department of Education and Science
 Elizabeth House
 York Road
 LONDON
 SE1 7PH

5 September 1983

Alan Kim

PUBLIC EXPENDITURE SURVEY 1983 - BILATERALS

At its meeting on 21 July, Cabinet agreed that our objective for this year's Public Expenditure Survey should be to keep to the planning totals for 1984-85 and 1985-86 published in the last White Paper, and to maintain expenditure at about the same level as this in cost terms for 1986-87. We are to meet at 5.00pm on Wednesday 28 September to discuss how your expenditure programmes might be adjusted to help in meeting this overall objective in each of the Survey years. The Prime Minister has asked us also to consider the consequences of any savings we may identify for the two final years of this Parliament (1987-88 and 1988-89). In addition, we need to examine the provision to be made for manpower and related expenditure for each year up to 1988.

To achieve the objective we have set ourselves will be a formidable task, but I am confident that it can be done. There is, I am afraid, no prospect that we can meet anything like the full range of extra demands of some £6.1 billion which are recorded in the PESC Report. We have of course already decided to increase provision for local authority current expenditure in 1984-85 by £525 million, of which some £177 billion will be added to your programme. I accept that there are some other proposals for increases, totalling perhaps £2 billion, which may prove inescapable. My task is to find sufficient savings elsewhere to offset such increases.

The basic material in front of us will be the relevant chapters of the Public Expenditure Survey Report, and the factual material which has been agreed between our departments about options for reductions. You provided also a helpful commentary in your letter of 6 July. In view of the RSG settlement for 1984-85 and the

impending collective discussion of the provisions for 1985-86 and 1986-87 we shall not of course need to deal with those of your bids which relate to local authority current expenditure. The remaining proposals for increases to your programmes are:-

<u>Local authority capital</u>	1984-85	1985-86	1986-87
1. Schools	165	185	170
2. Further education	40	45	35
Total local authority capital	205	230	250
<u>Vote Capital</u>			
3. Schools	15	15	15
4. Universities	25	25	25
Total Vote capital	40	40	40
<u>Vote current</u>			
5. Information technology(IT) in further education (FE)	5	5	5
6. Universities	25	45	70
7. Student awards	40	50	45
8. Adult and continuing education	5	10	10
9. Science			
(i) continuation of existing policies	15	20	30)
(ii) policy developments	20	35	45)
Total Vote current	110	165	205
TOTAL ADDITIONAL BIDS	355	435	450

I am, of course, ready to discuss these proposals, though against the general background I have described I see little hope of accommodating any bid which is not strictly essential. I accept that that description applies to your bid for student awards, to the extent that offsetting savings cannot be found by changes in the conditions of grant. And you will recall that at our meeting on the cash limit reductions for 1983-84 I expressed some sympathy with the element of your science bid which related to the increasing cost of participating in international organisations. Beyond that I cannot go for the moment, though I will listen carefully to your arguments.

Once we have identified and defined the essential increases, I believe our main task must be to examine the scope for possible savings. Most of the options for reductions in your programmes

so far identified relate to local authority current expenditure. We must not lose sight of these, but for the purposes of our meeting I suggest that we concentrate on your vote-borne programmes. Nor I think need we discuss the option of abating the university lecturers' pay settlement in view of what I say about pay below. That leaves us with the following options to consider:-

Student awards reductions in grant	20	45	105
Abolition of Open University	25	60	60
Withdrawal from European Centre for Nuclear Research	-	-	25
<hr/>			
TOTAL	45	105	190
<hr/>			

We will be able to discuss when we meet how realistic these options are and it may be productive to consider variations on them too. (In particular, there is a variety of ways in which savings on student awards might in theory be secured). We must, besides, consider their implications for the post-Survey years and the scope for further action during the Survey years which would yield savings at a later date.

But given the nature of the objective which Cabinet has set, I think that we need to cast our net rather wider. In particular, I would like to explore with you the possibility of further savings on the vote-borne element of further and higher education in the Survey period and beyond. Here I have two thoughts in mind. First, I understand that unit costs of teaching in the grant-aided colleges are now significantly higher than they are either in the universities or in the polytechnics. That would seem to suggest that there is scope for efficiency savings. Second, I think we must address ourselves to the need for a further round of rationalisation of higher education towards the end of the decade. This has several aspects: both the colleges and the universities will soon need to come to terms with the projected fall in student demand from the mid-eighties; it is one of your objectives to reduce the universities' dependence on public support, in their own best long-term interests; and there seems to be scope to encourage more flexible and cost-effective forms of course provision. These matters are I know under examination at your request, by the UGC, but we need to ensure that the university world considers them with the necessary seriousness and urgency. Major savings will take some years to materialise, but I would not think 1986-87 too early to begin the process; I would therefore propose a significant reduction in university grant for that year.

Accordingly, I would like us to consider the following further savings:-

	1984-85	1985-86	1986-87
Grant-aided colleges	5	5	} 80
Universities			

S E C R E T

At the same time, we might have a brief word about the prospects for more fundamental changes in student finance, including the introduction of a loans scheme. I appreciate that there is little likelihood of savings from this source during the lifetime of this Parliament but early action will be needed if we are to reap the sizeable potential benefits, financial and other, during the 1990s.

Our discussion should also cover the manpower aspects of your programme up to 1 April 1988, and the expenditure consequences of these, against the background of the Cabinet decision that we should secure rather larger manpower reductions over the next four years than those identified by Departments.

Your own proposals put me in a considerable difficulty:-

	1.4.85	1.4.86	1.4.87	1.4.88
Original assessment of requirements (letter of 31 March)	2510	2465	2440	2410
Additional bid to cover increased H M Inspectorate activity (letter of 5 July)	55	80	90	100
TOTAL	2565	2545	2530	2510

For all years, the total now sought is significantly higher than the agreed estimates target for staff in post at 1 April 1984 of 2455. I fear I must press you to reduce your bid substantially. I suggest we approach the problem in three ways:-

- i) take a more rigorous view of your requirements on existing policies and plans. I am glad to note that your present assessment allows for significant savings from computerisation, mechanisation, and streamlining of functions, and I accept that there are sound reasons for providing for increased effort in a few areas. But I doubt whether you have made sufficient allowance for savings from recent staff inspections or (over and above changes already foreseeable) from future ones; the margin for some current policy developments seems generous; and I would question the implicit assumption that in future staff in post will be brought fully up to complement (though I do not doubt that the gap in the inspectorate will be much reduced) and that in addition there will be no reduction in the present level of supernumerary posts.

- ii) examine the additional options for producing larger reductions identified in your letter of 31 March. The winding up of Division IV, Finance Branch looks to be feasible in a year or so and I hope that you can agree to it now. The proposals to make the UGC responsible for employment of its own staff and to hive off the Computer Board Secretariat may also be worth pursuing, but, since the benefits in terms of civil service numbers

are purely cosmetic, I suggest that they be assessed on their wider merits in due course and that we disregard them for immediate purposes. As regards your less favoured options, while I appreciate the problems associated with partial or total abolition of Architects and Buildings branch which were set out in your letter of 31 March I remain to be convinced that its role is essential and I should like to consider this further with you. It remains to be seen whether your suggestion of contracting out certain office services (such as reprographics), although promising, will actually turn out to be cost-effective.

iii) take a more selective approach to your bid for increased HMI activity. Whatever the merits of greater HMI involvement in the areas you mention, I would wish to be clearer that existing effort was as well organised and managed as it could be before accepting that there was no scope for redirection of their current resources. I have also to consider the many equally pressing claims that colleagues have put to me, which in aggregate are incompatible with the objective we have set ourselves. I note, too, that it is proving difficult to recruit additional inspectors to make up even the present shortfall: an additional programme of the scale proposed seems very ambitious.

As you know before your additional bid was submitted my officials had concluded that your minimum requirements might be satisfied within overall figures of:-

1.4.85	1.4.86	1.4.87	1.4.88
2455	2400	2365	2325

I hope that we will be able to reach agreement at figures close to these.

All the above figures still include an allowance for the Office of Arts and Libraries, since the size of the transfer to OAL following the machinery of government changes remains to be determined. It would be extremely helpful if you were able to reach agreement with Grey Gowrie on this issue before my bilateral discussion with him on 12 September.

We shall also need to consider the expenditure implications of the manpower figures. I note that your additional bid would cost £1.5 million 1984-85 rising to £2.5 million in 1986-87, but that you have not made any bid for this.

Cabinet will not have the opportunity to discuss the provision to be made for pay in 1984-85 until mid-September. In the meantime, I suggest we should prepare for our bilateral discussion on the basis that there will be a single standard assumption about pay increases for the civil service etc, that it will be rather lower than the 5 per cent implicit in the present baseline and that the difference between 5 per cent and the agreed assumption

will, like last year be removed from all programmes before final decisions are taken.

Since territorial programmes are this year to be determined by the formula relating to comparable expenditure, I do not think they will require separate bilaterals. But Nicholas Edwards, Jim Prior and George Younger may wish to be represented.

Jim W *Rees*

PETER REES



E/18

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Sir Edward Parkes
Chairman
University Grants Committee
14 Park Crescent
London W1N 4DH

1 September 1983

Sir Edward

DEVELOPMENT OF A STRATEGY FOR HIGHER EDUCATION

Thank you for your letter of 26 July about the contribution the Committee might make towards the development of a view on the nature and scale of higher education provision into the 1990s.

2. I am in general agreement with the Committee's proposals for the process of consultation and discussion it plans to launch within the university sector. I hope you will make an early start and that it will be possible for your successor to let me have the product of the exercise after the Committee's residential meeting in the Autumn of next year. As you say, the formulation of a strategy for higher education as a whole will require continuing dialogue, and Ministers and officials here stand ready for consultation whenever you and your successor would find it helpful.

3. You invite any guidance I am able to offer on the future funding of the universities and on any particular aspects of policy which the Committee's consultations should take into account. On funding, I suggest that you consider a range of possibilities; this is for three reasons. First, while as you know we have expressed some hopes that it may be possible to preserve "level funding" for a time after 1984-85, you will realise that I cannot give any undertakings. The pressures on the planned aggregate of public expenditure are currently very severe, and inescapable increases in some areas will have to be met by reductions elsewhere. What universities can buy with the available cash provision will besides depend on the movement of pay and prices and on their success in restraining those elements of cost which are under their own control. Second, you are aware of my belief that in the longer term universities should, in their own interests, be less dependent on public funds. The higher the proportion of university income that comes from non-Government sources, the greater their freedom of action and their capacity to survive fluctuations in the level of recurrent grant. It is in any case the Government's intention to reduce the share of GDP devoted to public expenditure. Third, as you point out, it is right to consider the possibility that the level of support for individual institutions may develop in markedly different ways from that of support for

the system as a whole. It would, I suggest, therefore be sensible for the Committee to consider what their response would be, first, to an assumption of maintenance of the real level of support per student (home fees plus UGC grant) implied by the present cash plans for 1984-85, on the Committee's best assumptions of universities' costs in that year; and, second, a progressive reduction in the real level of such support of the order of, say, 5% to 10% per student overall by the end of the decade and a further 5% in the five years or so beyond that. I must, however, stress that these figures should in no way be taken as reflecting any present intention on the part of the Government.

4. Ranging more widely, I should like to make the following points.

- a. You recognise that fundamental changes need to be considered, including the prospect of greater differentiation between institutions. I hope that the Committee will present a view of how the universities may develop within the present structure, and also of what prospects there are for more radical changes directed to the maintenance or improvement of quality in the context of a more efficient use of resources. This means considering such questions as the length and intensity of courses, the balance of provision between modes of study and the effort being devoted to new approaches to teaching and learning.
- b. The Government would like to see a further shift towards technological, scientific and engineering courses and to other vocationally relevant forms of study throughout higher education. I should welcome advice on how the universities can contribute to bringing this about, and how the question is best approached. I should in particular like advice on how big a shift is practicable and desirable over what timescale at what cost, having regard to the existing physical capacity of the universities and to the scope for greater efficiency and productivity; and to student demand and the scope for influencing it.
- c. I recognise that the Committee is concerned with the well-being of teaching, scholarship and research across the whole range of disciplines, and that these all have their legitimate claim on resources. But in the light of concern expressed in recent reports I hope that the Committee will consider what measures might be taken to increase the resources devoted to fundamental scientific research and to applied research and development, and to encourage their most effective use, for the sake of the quality of our science and for its contribution to the economy. In view of the pressures on public expenditure, greater selectivity in the funding of research activity both within and between institutions may be necessary. I should, in particular, value the Committee's views on the propositions that the contribution through recurrent grant to the dual support system should be based on greater specificity of funding, possibly involving inter alia recognition of institutions' differential success in securing research monies from outside sources, especially from industry and the Research Councils: co-ordination with the Research Councils should perhaps be stepped up, and indeed the Committee might allocate some of the funds at its disposal only after joint consideration with the Research Councils of individual authorities' research plans.
- d. The Committee is aware of the forecast of demand for higher education contained in Report on Education No 99. Against this background it is important to try to ensure that across higher education as a whole the full range of opportunity continues to be provided, and that it is provided in efficient and economically viable institutions. The

Committee's discussions with the universities, the NAB and other interests should explore the scope for rationalisation and co-operation both within and between universities and with other institutions. Universities should be encouraged to talk to neighbouring institutions and local education authorities. The Committee should feel free both to stimulate activity at a local level and to make appropriate recommendations in its response to me.

5. These points are only some of the considerations the Committee will wish to take into account in the light both of its own concerns and of the points made in my letter to you of 14 July last year. There is in addition an abundance of published thinking on the future of higher education - including the products of the Leverhulme study - which the Committee will no doubt be considering. It is particularly important that the nature of the Committee's consultations should require universities to undertake a realistic internal assessment of their own potential for future development and of the means by which standards are to be maintained and enhanced.

6. I welcome your intention to keep in touch with the National Advisory Body. I am sure that it is essential that the Committee and the NAB co-operate in the parallel exercises on which they are embarked and I am accordingly sending a copy of our correspondence to the Chairman of the NAB Board. Much in the Committee's exercise will also be of relevance to the Research Councils and I am therefore sending copies of our correspondence also to the Chairman of the ABRC and to the Heads of the Research Councils.

7. Finally, I hope that the Committee and the universities will conduct this process of consultation in as open and wide-ranging a manner as possible. As a contribution to the debate I am arranging for this exchange of letters to be published.

Yours sincerely,

Kevin Joseph



Y SWYDDFA GYMREIG

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

3 August 1983

Dear Tim,

*PA
4/8*

REPORT BY HMI ON THE EFFECTS OF LOCAL AUTHORITY EXPENDITURE
ON EDUCATION IN WALES

I am writing to let you know that my Secretary of State will be publishing tomorrow a paper by Her Majesty's Inspectorate of Schools in Wales entitled "The Effects on the Education Service in Wales of Recent Local Authority Expenditure Policies: An Assessment by HM Inspectorate". The report complements a similar one published by the Secretary of State for Education and Science on 20 July about the position in England. I enclose 2 copies of the report and accompanying press notice for your information.

Publication will be on 4 August, following which the report will be made available generally, and copies will be sent to the news media, all Welsh MPs, local authorities, teacher organisations and other bodies in Wales.

Copies of this letter go to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Employment, Northern Ireland and Scotland, and the Secretary to the Cabinet.

Yn eidd

Judy Roberts

J H ROBERTS

Tim Flesher Esq
Private Secretary
10 Downing Street
LONDON

IN CONFIDENCE

THE EFFECTS ON THE EDUCATION SERVICE IN WALES OF RECENT LOCAL AUTHORITY EXPENDITURE POLICIES : AN ASSESSMENT BY HM INSPECTORATE

Introduction

The sixth in a series of annual reports of HMI to the Expenditure Steering Group (Education) recording the effects of LEA expenditure policies on the education service in England is currently being made available. No strictly comparable procedure has been followed in Wales but in the course of their inspections of schools, colleges and other provision HMI have continually monitored the effects of expenditure policies. As a result HMI in Wales are able to offer a considered view on this topic.

This paper relies on two main sources of information:

- (i) returns made in January 1983 by the district inspectors for all the Welsh LEAs, based on information currently available to them and their teams;
- (ii) HMI's observations made in the course of inspection visits during, approximately, the calendar year 1982.

The following provisos are pertinent:

- (i) the coverage of schools and colleges is not statistically representative either nationally or for any one LEA;
- (ii) it is often difficult to disentangle the effects of expenditure policies from those of other factors, such as falling rolls in schools and increased demand for places in colleges of further education;
- (iii) the effects of expenditure policies vary in their impact from LEA to LEA, from school to school and from college to college because of pre-existing differences in the range and quality of provision;
- (iv) the assessments made by HMI relate not only to the observable effects of expenditure policies but also in some cases to the adequacy of the educational provision made and to the ways in which schools and LEAs have used, and are using, their resources.

SCHOOLS

Teaching Staff

The most recently available figures for the staff-pupil ratio within schools in Wales reveal that between January 1981 and January 1982 ratios worsened at the primary level in 5 LEAs (by 0.1, 0.3, 0.4, 0.6 and 0.8 respectively), remained the same in one LEA and improved in 2 LEAs (by 0.1 and 0.4 respectively). During the same period ratios at secondary level improved in 5 LEAs (by 0.1 in 3 cases and 0.2 in 2 cases), remained the same in one LEA and worsened in 2 LEAs (by 0.2 and 0.8 respectively). LEA estimates for 1982/83 as presented by CIPFA suggest that ratios have improved in 5 LEAs at both primary and secondary level within a range from 0.2 to 1.8, remained the same in one LEA, worsened in one LEA at primary level by 0.3 and worsened in another LEA at secondary level by 0.3. For Wales as a whole primary and secondary ratios show a slight worsening over the period between January 1981 and January 1982 but a general recovery thereafter. Although the reduction in the total number of teachers employed is in general aligned with the fall in pupil numbers, there is some evidence that at primary level (where the effects of falls in rolls are being experienced more immediately) the loss of teachers is proportionally greater than the fall in pupil numbers. In one LEA only 40% of the reduction in the number of primary teachers in the current school year can be attributed to falling rolls.

As in previous years it is clear that LEAs are applying ratios strictly and are reviewing them regularly. Such reviews sometimes work to the advantage of schools, as when more pupils return post-16 than had been anticipated and staffing is improved accordingly, at other times to the disadvantage of schools, as when, in similar circumstances, schools are obliged to absorb increases in rolls. In general staffing policies are operated tightly and allow little room for a flexible response to new or unexpected demands.

LEAs continue to reduce the number of teachers through early retirement, redeployment and natural wastage. The volume of such movements is growing smaller as LEAs approach the limits of what can be offered in terms of early retirement and of redeployment. The number of probationer teachers appointed to permanent posts continues to be small. The effects of short-term contracts on new entrants remain a source of concern though the efforts made in some LEAs to ensure reasonably adequate probationary experience are commendable.

Arrangements for supply cover in the event of staff absence, though distinctly worse in a minority of LEAs, have generally remained unchanged in 1982. The effects of these arrangements are now in some LEAs being felt by schools of all sizes, including the smaller schools which have hitherto been relatively well protected. In one LEA no supply cover is given for 10 days in primary schools where the head does not have full-time charge of a class and in another LEA supply cover is only provided after 4 days staff absence - even in the smallest schools. Such policies must be seen in the light of the facts that, as rolls continue to fall at primary level, more schools are coming within the range where heads are in full-time charge of a class and that the reduction in rolls is leading LEAs to consider an increasing number of amalgamations in urban areas and closures in rural areas. There are few signs that the range of curriculum provided in most schools has been adversely affected by staffing policies. However, the strict interpretation of such policies is beginning to pose problems for smaller schools in mixed language areas in the achievement of their bilingual aims.

In-service Training

The general picture in 1982 shows little change from the previous year. LEAs' own provision of INSET and their support for teachers who wish to attend courses provided by other agencies have remained at a relatively low level. Policies vary in detail from LEA to LEA and are related to decisions about educational priorities, about the strength of the advisory service and about supply cover. In general, however, LEAs have not developed their INSET provision. There are considerable variations in provision. Two LEAs have maintained or increased the number of teachers seconded to long courses whereas another LEA has eliminated support for these courses and reduced the number supported in part-time courses from 163 in 1979/80 to 29 in 1982. In 3 LEAs lack of financial support effectively discourages attendance at courses run outside the LEA's area. In some of those LEAs where there has been little change the generally unsatisfactory nature of the existing provision must be noted.

Induction of Probationers

There has been little change from last year. The number of probationers appointed remains low and many are employed on temporary contracts which reduce the effectiveness of the probationary period. There have been only minor reductions in the provision of courses for probationers.

Advisory Services

The slow erosion of advisory services continues. Some new appointments have occurred as LEAs attempt to rationalise or bring a better balance to their advisory body but the general trend is downwards and the new appointments do not match the number of advisers lost through natural wastage. The implementation of the Education Acts 1980 and 1981, the reorganisation or amalgamation of schools and the redeployment of staff, taken together with the continuing reduction of the administrative staff of LEAs, mean that advisers are obliged to sustain additional burdens. The general policy of most LEAs is not to fill vacant advisory posts; in some instances unfilled vacancies in key posts have significantly reduced the effectiveness of advisers' work.

Non-teaching Staff

Provision is generally either static or in decline. Some LEAs are reducing support through stricter staffing ratios, through non-replacement or temporary replacement of vacant posts, and through diversification of existing posts, for example, in combining clerical and ancillary posts. Adverse educational effects are caused in some LEAs by the withdrawal of ancillary support from classes of young children which though not designated as nursery classes contain children of nursery age (under fives) and in some secondary schools by increased demands on teachers resulting from reductions in general support staff.

There have been no changes in the pattern of employment of foreign language assistants.

Premises

Some of the long-term effects of reduced expenditure on maintenance are beginning to emerge, thus giving rise to further concern for the future. Although most urgent repairs (of potentially dangerous faults) are still carried out promptly, there is evidence of delay in response to all but the most serious crises and an increasingly piecemeal approach to maintenance as a whole. As a result schools are increasingly obliged to wait a considerable time before maintenance and repair jobs are fully completed. Repairs to leaking roofs or water systems which would formerly have commanded high priority are now sometimes delayed even when the work of pupils is directly affected. The period between routine redecorating of premises continues to lengthen in a majority of LEAs.

One LEA made a substantial additional sum of money available for furniture and equipment in 1982 but most LEAs have found it difficult to provide adequate replacements for broken or worn-out furniture.

Capitation, books, materials, equipment

On the basis of information supplied informally by LEAs, the capitation allowance in the financial year 1982/83 as compared with 1981/82 has been increased in 6 LEAs (in each case either in line with or in excess of the rate of inflation), has remained level in one LEA at both primary and secondary level and in another LEA at secondary level only, and has been reduced substantially in one LEA at primary level. The estimated capitation for the financial year 1982/83 when compared with the actual capitation for 1978/79 has more than matched the inflation of the intervening period in 2 LEAs at primary level and 5 LEAs at secondary level, has failed to match it in 5 LEAs at primary level and 3 LEAs at secondary level, and has kept pace with it in one LEA at primary level.

The considerable variations between LEAs in the range of items covered by capitation remain. Schools are generally obliged to pay out of capitation for a much wider range of items than was the case a few years ago. There are also significant differences between LEAs in the level of capitation. For example, a comprehensive school of approximately 1500 pupils in one LEA received an annual capitation of about £44,000, while a comparable school in another LEA received about £32,000. In general there were fewer unpredictable adjustments in capitation in 1982 and schools were thus able to plan the use of resources more systematically. When adjustments were made they were, in the case of 2 LEAs, in the form of additional sums for use by schools. In one of these LEAs it was discovered that in one area a significant proportion of capitation at primary level had remained unspent from the previous financial year.

Primary schools, and especially those affected by falling rolls, are coping reasonably well in terms of resources. Although provision is related to needs as perceived by schools, reductions in the real value of capitation have led many schools to give priority to maintaining stocks of necessary basic consumables. As a result there are signs that other resources, especially books, are beginning to deteriorate. Few schools have sufficient flexibility to enable them to replace large numbers of worn out books or to purchase new ones. The same is true of other, especially large and expensive, items of apparatus and equipment.

The effects of reductions in expenditure are more obvious at the secondary stage. There are examples of well resourced schools and poorly resourced schools and much depends upon the skill with which the complex needs of large institutions have been managed. In general, however, the trends noted in previous reports continue. A less generous distribution of sets of text or course books to classes of younger and especially less able pupils is increasingly apparent. The sharing of books is common. In many schools the replacement of outworn sets of books or the purchase of new cannot be contemplated. Schools are finding it extremely difficult to maintain (let alone replenish) library stocks and few books of general interest related to subjects can be acquired. In recent years shortages of sets of books, together with changes in teaching approaches, have encouraged some schools to use school-produced resource materials which, though often of commendable quality, lack the attractiveness and range of commercially-produced books and resources. The first signs are apparent in some schools that inability to replace or renew books is affecting the character and quality of the work done in some subjects. Three subject areas are particularly affected by expenditure constraints - art, craft and home economics.

Parental Contributions and other Sources of Funding

Parental assistance continues at the level indicated in last year's report (on average, about 10% of a school's capitation) but the range of uses to which such contributions are put is increasing. There is now virtually no area of schools' activities which has not benefited from parental help. Support for teachers' attendance at courses of in-service education and training is a notable new development.

Parents have bought or contributed substantially to the purchase of:

audio-visual equipment, library books, reading schemes, textbooks, course books, computers (and associated software), microscopes (£1,000), art/craft materials, mathematics equipment, physical education equipment, field trips, pianos, toys, curtains, carpets, cupboards, pinboards, shelving, duplicators, photocopiers.

Conclusion

The effects of changes in authorities' expenditure policies are dependent upon a number of factors:

- (i) the level of provision made by an authority in previous years; cuts in formerly generous provision will have fewer immediate effects than those in scant provision;
- (ii) the geographical, linguistic, economic and social background of the area; some authorities have a substantial incidence of social and educational disadvantage, or many small, linguistically mixed, rural schools, or a legacy of outmoded and inadequate buildings;
- (iii) the extent to which authorities have systematic plans for the organisation of provision and the improvement of standards; the existence of such a framework can ensure that economies are made in a coherent and reasonably logical manner;
- (iv) the skill with which individual schools have managed their resources in previous years;
- (v) the rate at which rolls are declining.

In general 1982 has not seen any dramatic changes in the level of LEAs' provision or in the schools' responses. Trends noted in previous reports have continued but at a slower rate. There have been no major adverse effects on the range of curriculum provided by most schools. However, some signs are emerging of those cumulative effects which a period of expenditure constraints might be expected to produce. Many schools are now giving priority to the maintenance of the curriculum and standards within it rather than to its development. The reductions in opportunities for INSET and the continued decline in advisory services are pertinent in this connection. The character and standards of work in some secondary schools are beginning to be adversely affected by shortage of appropriate resources. The balance of the work in some subject areas is also being directly and adversely affected by the need for economies. On the other hand, many schools continue to adjust skilfully to economic circumstances and in some cases they have been assisted in the period under review by additional support from LEAs.

Despite the indications of greater stability in expenditure policies there is no room for complacency. To some extent the schools have become accustomed to reductions in resources and in some cases have come to terms with less than adequate standards of provision. Although the fabric of the

system remains intact, there is little evidence to suggest that it is advantageously placed to respond fully to such new demands as the 1980 and 1981 Education Acts, new systems of examination at 16+ or the challenge of underachievement.

FURTHER AND HIGHER EDUCATION

Changes in the provision of courses

There continue to be difficulties for colleges in matching the provision of courses to changes in demand and needs. These are especially marked in non-advanced further education (NAFE), though certain categories of advanced further education (AFE) courses have not had the staffing and accommodation to enrol the increased number of applicants who have the basic qualifications to enter them.

In NAFE, the continued decline of enrolments into part-time vocational courses, especially those provided on a day-release basis from industry, has been more than offset by the general rise in demand for full-time courses as school leavers unable to find jobs have competed for places on colleges' vocational courses. At the same time most of the NAFE colleges have provided a new range of work skills courses for the Manpower Services Commission (MSC), alongside continuing provision of (a more limited range of) educational components of Youth Opportunities (YOPS) schemes. The fact that these courses are financed by MSC has accounted in most LEAs for the increases in staffing and resourcing which have allowed the colleges to put on more of them for more students and for longer periods than was possible last year.

The number of conventional link courses with schools has declined further in a number of LEAs, but this has been offset in 3 authorities by expansion of linked 16+ vocational courses jointly provided by schools and colleges, for the Business Education Council (BEC) General Certificate or Diploma.

The provision of full-time AFE courses has continued to increase, and under pressure of increasing demand most vocational diploma and degree courses, and some non-vocational courses, have enrolled first year intakes above last year's increased numbers. The number of advanced part-time courses has also increased in spite of reduced industrial training budgets and continuing low levels of industrial and commercial recruitment of A-level

and post-A-level entrants, but such courses still tend to be provided in joint teaching groups including equivalent full-time course students. Elsewhere, severe problems of course provision have emerged in part-time post-experience and post-qualification courses, notably in fields such as industrial management, where the majority of conventional courses in Wales are now at risk because of a considerable decline in enrolments.

Among the AFE courses which now appear to be recruiting close to or above their maximum desirable intake numbers are those in the industrially attractive subjects of technology, electronics and business/commercial development. Such provision depends on effective resources of modern technological (high technology) equipment, and for this purpose the Welsh Office have approved increased capital expenditure in one LEA.

Changes in Staffing and Staff Development

(a) Teaching Staff

There has been a small net expansion of both full-time and part-time staffing over AFE and NAFE taken together in Wales in the past year. Further reductions in teacher training faculties have been offset by increases in other AFE sectors, notably in computing, business studies and technology departments. While in NAFE there have been no significant increases in staffing of conventional FE provision, expansion of MSC-funded work skills courses has been achieved by sizeable increases in full-time temporary and part-time appointments, and a modest increase in full-time established posts (mainly to provide professional supervision and leadership in course/curriculum development).

Part-time staffing has been extensively used to give flexibility of provision and development in meeting the rapidly increasing demands of work skills programmes organised for the MSC, and in response to the continuing uncertainty about the form and extent of MSC-commissioned programmes in the coming session. The increase in the proportion of part-time and temporary full-time staffing, particularly in the NAFE colleges, has led to an increase in the load of administrative and supervisory/counselling work carried by full-time established teachers. In some LEAs and colleges the staff development demands of this new MSC work have tended to swamp the needs of "conventional" FE courses, and of certain courses (BEC and TEC) in particular.

Budgets for in-service training and staff development in NAFE have been supported by the MSC "Robertson shilling" arrangements, designed to be used for staff teaching on the YOPS and the new work skills courses. This has helped most LEAs and colleges to avoid further constraints on in-service provision, but in 2 or 3 LEAs budgets are now so low that for the great majority of staff teaching on conventional courses there is very little chance of attending short courses outside the county or in some cases outside the college, even where new AFE or NAFE course developments would seem to require it. Those staff who, particularly in NAFE, require updating in new technologies, such as computing and their applications, are not often able to acquire this unless, as a number do, they attend courses at their own expense and in their own time.

(b) Non-teaching Staff

Most LEAs have not made further reductions of non-teaching staff in NAFE colleges in addition to those made last year. A number of technician and clerical posts are not being filled for considerable periods following vacancies - in one authority some have remained un-filled for over a year. This same authority has reduced overall cleaning staff time at its FE colleges this session by 30%. A number of colleges in 2 authorities have continuing difficulties in maintaining an effective library service; some of these have no qualified library staff and are using temporary clerical assistants to keep their libraries open. There remains widespread difficulty in maintaining the staffing of support services in line with the general expansion of enrolments in NAFE courses.

The AFE institutions have also borne their share of cuts in non-teaching budgets, but since most started from better resourced levels, the cuts have not had such severe effects on services in support of teaching and learning. Nevertheless, there have been shortages of qualified ancillary and technician staff which have had noticeable effects on maintenance of equipment and on teaching.

Support services to students have been maintained, at rather low levels, in most LEAs, with only two assessed by HMI as providing an appropriate level of support in the careers and counselling areas.

Changes in expenditure patterns

(a) Current expenditure - materials and equipment

Budgets for consumables and small equipment have been generally maintained at the somewhat reduced levels of last year. In a small number of instances

(some catering courses, for example), colleges have exhausted their budgets before courses have come to their end, and have been forced to curtail some practical work. Increases in costs of materials early in the year appeared likely to cause problems because budgets had not been increased in line with inflation, but this situation was reversed for many NAFE colleges later in the year, and a number of instances occurred in which colleges were unexpectedly asked to use substantial LEA reserves quickly. While this gave opportunities for the purchase of much needed replacements or new types of equipment (word processors, for example), it has resulted in a certain number of hasty, ill-judged purchasing decisions based on availability rather than the careful assessment of technical characteristics. In many other cases the channelling of MSC income into college budgets has allowed for a degree of desirable replacement or extension of equipment.

The general level of equipment in many NAFE colleges still represents an inadequate response to or reflection of changes in business and industry. There remain a considerable number of colleges whose office studies/commerce equipment is failing to keep pace with the growing number of small and large firms who have installed microcomputer-based systems and word processors. Similar effects have been noticed in relation to other electronic equipment and in telecommunications, industry and business.

(a) Capital expenditure on large equipment and accommodation

Most LEAs still make no provision in their AFE and NAFE college estimates for amortization of capital equipment; as a result capital budgets which have been continuously reduced are not enough to provide for desirable replacement of obsolescent equipment, for purchase of electronic and automatic control techniques, or for updating of expensive technologies such as CAD/CAM. Many authorities have introduced selective increases in capital equipment, such as electronic control instrumentation and computer/micro systems, against a general background of continuing reductions. One authority has made special capital allowances to bring its main AFE college up to an adequate level and has also made specific allowances for the extension of equipment needed for the development of BEC link courses for 16+ students established jointly by its colleges and its secondary schools. Other authorities have made additional specific allowances for major new technology/electronics course development in their AFE institutions.

There have been continuing developments in college teaching accommodation in a number of institutions both AFE and NAFE, some programmed through the LEAs own major building programmes, some as a result of channelling of building grants by the MSC. There have also been sizeable developments in two tertiary schemes. However, there remain deficiencies in further education capacity and in the planning of new capacity in certain parts of the country. A considerable number of NAFE colleges have taken on old school and other buildings as MSC-commissioned course annexes.

Probably one of the most serious effects of reductions in LEA expenditure has been the physical deterioration of the general condition and in some cases of the fabric itself of college buildings and teaching accommodation. Examples of deterioration (even of structural defects going unrepaired) have been reported from most of the Welsh LEAs and it is now inevitable that many LEAs will face large repair and maintenance bills as a direct outcome of some years of cumulative neglect.

Changes in grants to students

Most LEAs have stabilised their discretionary grants to students at the low levels resulting from the policies of previous years. There have been continued limitations on the scope and applicability of grants. Although two LEAs can be regarded as still providing good support, most LEAs' total grants bills have been reduced from last year's levels, even in money terms, and the real value of both total grant budgets and the level of grants to individuals has been reduced further.

Changes in the match of courses provided to needs and demand

Most unmet demand in NAFE appears to be located in areas of particularly high school-leaver unemployment. Lack of availability of places continues to be reported in business studies, clerical and secretarial courses, in food and catering; in hairdressing and beauty culture courses; and in caring and nursing studies. These courses are largely seen as vocationally suited to girls, but there are also shortages of places in courses which attract more boys, in particular computing and technology subjects, including electronics.

The MSC-commissioned work-skills courses which have been developed in every LEA have considerably increased the overall provision of vocational programmes, generally at lower ability levels, and the success of the NAFE colleges in setting up these courses, involving a substantial element of work placement experience in collaboration with employers, has been one of the most encouraging and stimulating developments of FE in Wales. These courses, which could not have been mounted on the scale actually achieved without MSC support, provided places for nearly 2200 young people in the 16-19 age range. Many colleges have also continued to provide the educational components of Youth Opportunities and other MSC-commissioned programmes.

In AFE unmet demand has continued to increase. Many degree and diploma courses have experienced sharp increases in the number of applicants, particularly in business studies, computing and virtually all the engineering and technological subjects. A small number of new courses have been established and places on existing ones expanded. The intakes, however, though larger, have tended to be better qualified on entry.

The availability and quality of industrial and business "sandwich" training places, and of supervision of students on them, have continued to deteriorate this session, and a number of sandwich diploma courses have been converted to full-time, temporarily, dropping the sandwich elements. In other cases, colleges have had to develop alternative approaches to industrial/work experience, for example, by setting up simulated workshop experience themselves, in their own or in other colleges' workshops. Many AFE colleges now have little staff capacity available to send out to search for and generate more training placements, or to improve the capacity of existing ones.

Over the AFE system as a whole, the general slimming down of teacher training provision and courses with weak enrolments which led to considerable spare or underused capacity is now almost complete. Student/staff ratios in most AFE college faculties are now higher than they were three to five years ago. This reflects not only a generally more economically effective utilization of HE staff, but a more even level of deployment; but it conceals some examples of severe pressure on staff resources in certain degree and diploma programmes.

YOUTH AND ADULT

The level of funding for youth and adult education, following severe cuts in 1979-81, has in general remained in real terms at the level of last year. Some authorities, are seeking to increase provision, particularly for the young unemployed, and with improved organisation and management 2 have been able to finance modest growth. Some significant developments have been funded by central government under Urban Aid and specific grant and other, often independent, developments by the MSC. There is, however, scope for a wiser investment of public funds in a programme that integrates provision locally into a coherent programme.

Enrolment fees have increased generally, sometimes considerably more than the rate of inflation. There is now wide variation in charges, with, for example, one authority charging £9 for 12 hours tuition and another £8 for 24 hours tuition. Another authority has reduced the length of sessions to 1½ hours and its term from 10 to 8 weeks. The implications of varying practices go beyond costs; less time and less frequent meetings erode continuity and are particularly disadvantageous for practical studies and activities. Enrolments have continued at last year's level but with increased emphasis on day as opposed to evening classes and an increase in the proportion of senior citizens and unemployed.

Staffing levels are largely unchanged; only in one authority has there been a reduction, with the loss of 5 full-time posts and further reduction in part-time staff. In 1982 this authority employed part-time staff for 8000 hours, compared with 20,400 hours in 1979-80, while enrolments during this same period increased by 15%. Two authorities however, have been able, through reorganisation, to increase staffing in the youth sector and in one area to open 2 new clubs and extend opening hours, often to 3, 4 and sometimes 5 nights a week. In almost all authorities in-service training of staff remains neglected, particularly in meeting the needs of the unemployed. The initiative and resourcefulness of one authority has shown that more can be done for staff development with current resources.

Neglect of maintenance and repair generally give cause for concern. Youth clubs, subjected as they often are to considerable wear and tear, are in many areas approaching the stage when closure is imminent. As the physical condition of school and college premises deteriorates, so does the environment for a considerable proportion of adult education - and this

at a time when the client is paying much higher fees. Authorities give low priority in their budgets to the needs of youth and adult education. In one county where no funds are allocated for maintenance, commendable self help efforts have become widespread and secured marked improvements. In another authority similar initiatives have been discouraged and virtually stopped by trade union opposition.

EMBARGO: This Report is issued in advance of the strict understanding that no approach is made to any organisation or person about its contents before the time of publication

NOT FOR PUBLICATION BEFORE
THURSDAY, AUGUST 4, 1983

August 2, 1983

HMI REPORT ON EDUCATION EXPENDITURE IN WALES

A report * submitted by Her Majesty's Inspectorate to the Secretary of State for Wales, on the effects of local authority expenditure policies on education in Wales, was published today. A similar report ** to Sir Keith Joseph was published in England on July 20.

The Welsh paper, relating to schools and maintained colleges of further and higher education in Wales and to the youth service and adult education, was compiled mainly from information obtained during 1982, and indicates that there had been no major adverse effects on the range of curriculum in general in schools, and that there had been some degree of improvement in provision in the HFE field.

*The Effects on the Education Service in Wales of Recent Local Authority Expenditure Policies: An Assessment by HM Inspectorate, available free from the Education Department, Welsh Office, Cathays Park, Cardiff CF1 3NQ. Telephone 0222 823360.

** Report by Her Majesty's Inspectorate on the Effects of Local Authority Expenditure Policies on the Education Service in England 1982.

However, the report warns that there is no room for complacency and although the fabric of the system remains intact, the combined effects of expenditure restraints and the need to manage falling rolls has left local education authorities and schools less well-placed to respond constructively to the many calls for educational improvement and change.

Commenting on the report the Secretary of State for Wales, the Rt Hon Nicholas Edwards MP said: "I have noted carefully the comments and concerns expressed in the report, which reflects the ways in which the different education authorities in Wales are managing the changes and demand pattern which have arisen in recent years against a background of restraint in public expenditure. The circumstances of the authorities differ - some have a greater incidence of social and educational disadvantages than others, some have inherited a legacy of unsatisfactory buildings, and the level of provision in previous years varies with authority. But the service remains intact in Wales, and I hope that the education authorities will follow the example of those where, as the report says, many schools continue to adjust skilfully to economic circumstances."

Turb

MR. LETWIN

The Prime Minister has now seen your minute of 28 July about university funding. She agrees to your mentioning the idea set out in the minute to Sir Keith Joseph.

T. FLESHER

1 August 1983

ly



cc Kro
WML/S

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

1 August 1983

Dear Keith,

Thank you for copying to me your letter of 13 July to Willie Whitelaw.

will request, if required.

I am not persuaded that there are any strong grounds for departing from the view expressed by Tom King in his letter to you of 3 March. The higher the quantum of specific grants the less there is available for distribution in block grant to support local authorities' other spending needs. Tom King argued that a grant rate of 60% to 65% would be more consistent with the present local aggregate Exchequer grant (AEG) rate. I do not think we should accept a maximum grant rate of more than 70%.

I am also concerned that you now propose a basic ceiling on grant-aided expenditure of 1/2% planned education expenditure. This is a significant departure from what was agreed in March. I am prepared to move from the percentage figure of 1/2% proposed by Tom King, but I would not wish to go higher than specific grant payable on about £30m in 1983/84 terms (ie about 1/2%).

Finally you raise the technical and vocational education initiative (TVEI). This seems to me a separate question, and one which was not discussed in January. This expenditure is 100% funded by the Manpower Services Commission and is outside the rate support grant system. Whether at some future date it ought to be brought within RSG and, if so, how it should be grant-aided, are issues which we should consider then. I should not have thought we would want to make any decision or announcement about that now.

I am copying this letter to the Prime Minister, other members of H Committee and Sir Robert Armstrong.

Yours ever
Patrick

PATRICK JENKIN

The Rt Hon Sir Keith Joseph Bt MP

EDUCATION Policy

113



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

29 July 1983

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education and Science

MBM

MS 29/7

Dear Keith

EDUCATION SUPPORT GRANT

Thank you for your letter of 13 July in which you seek H Committee's approval for the proportion of expenditure which you propose should be eligible for the new education support grants and for the rate of the grant itself.

I see that Jim Prior, Nicholas Edwards, Norman Tebbit and Arthur Cockfield have written to say they are content with what you propose, but I understand that Peter Rees has serious reservations. I would also like to be sure, before giving the Committee's approval, that Patrick Jenkin is content. I think the best thing might now be for you to consult with them further to see how any difficulties might be overcome, and to bring the matter back to the Committee in due course. I hope that will not seriously delay the preparation of the Bill; if it would be helpful to have a meeting in September, I will gladly arrange one.

I am sending copies of this letter to the Prime Minister, to members of H Committee and to Sir Robert Armstrong.

MS
W. L. M.

29 JUL 1983



CONFIDENTIAL

cc Mr. Mount O/R

MR. FLESHER

Prime Minister:

UNIVERSITY FUNDING

Do you agree to
authorize Mr. Letwin to
mention this
idea to Sir
Keith?

The government wishes to increase private funding for the universities; but no-one has yet found a sufficiently effective method of stimulating such an increase.

Dr
29/7

Sir Keith Joseph will, in the near future, be bringing forward new ideas on this subject. There is, however, one idea which is so simple that it appears to have escaped the notice of his officials.

It would be possible for the UGC to allocate a proportion of its funds (say, 10%) on a pound-for-pound basis - the university to receive £1 from the Exchequer for every £1 raised from private sources. This would give universities an immediate and powerful incentive to seek private money. The effects on public expenditure could not be adverse and might be highly beneficial: the aggregate UGC grant could be reduced in the first instance by a small amount, and could - if the scheme succeeded - be reduced by a larger amount thereafter, without damage to the universities. It might, moreover, be possible to devise a similar scheme for the polytechnics.

Would the Prime Minister wish the DES to consider such measures?
Would she favour my suggesting them informally to Sir Keith?

Yes

O.L.

OLIVER LETWIN
28 July 1983

CONFIDENTIAL

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Oddi wrth Ysgrifennydd Gwladol Cymru



R. Martin

NBPM

Two

MUS 27/7

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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

27 July 1983

Der Ket

Thank you for sending me a copy of your letter of 13 July to Willie Whitelaw. I have noted your proposals with interest.

The Welsh Counties Committee which I consulted on the Education Support Grant proposal at the same time as you consulted local authority associations in England not unexpectedly registered strong disapproval in principle of the proposed arrangements, but did not make detailed responses on TVEI or the grant level such as those you report were made in England. Nonetheless, the same considerations with regard to any transfer of TVEI funding will no doubt obtain in Wales, and I would not dissent from the proposal for a 0.5% maximum limit of expenditure with a possible increase to 1% if necessary, and for the rate of grant to be 75%.

We shall need to consider carefully the presentation of and the arguments for the higher limit proposals to minimise the criticisms which no doubt will be made about what will be alleged to be the erosion of local authority responsibility implied in these proposals.

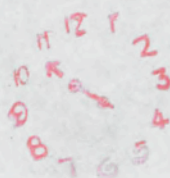
I am copying this letter to the Prime Minister, other members of H Committee and to Sir Robert Armstrong.

J. e.
N.M.

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education and Science

Education
Policy Pt 3

27 JUL 1985



CONFIDENTIAL

CCNO



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

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

NBSM
ms 25/7

21 July 1983

21 JUL 1983

See back

Thank you for sending me a copy of your letter of 13 July to Willie Whitelaw.

As you will probably be aware in Northern Ireland the statutory relationship between Government and the local Education and Library Boards is such that the power already exists to achieve the objectives sought by the proposed new legislation in England. There is in theory no limit to the extent that funding can be earmarked, but the policy is to give the Boards as much discretion as possible so that the detailed allocation of resources between local education services reflects their assessment of local priorities. To date therefore earmarked funding has been confined to specific policy initiatives such as the Area Boards' contribution to the Youth Training Programme.

There seems little doubt that the implementation of desirable new initiatives both here and in England will be dependent on earmarked funding or specific grants and I am content with the proposals you have put forward.

I am copying this letter to the Prime Minister, the Chairman and other members of H Committee and Sir Robert Armstrong.

[Handwritten signature]

CONFIDENTIAL

Education
Policy, Pt 3

JUL 1983





Caxton House Tothill Street London SW1H 9NF

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

Switchboard 01-213 3000

MSBPM

MS 25/1

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

25 July 1983

D Keith.

EDUCATION SUPPORT GRANTS

You sent me a copy of your letter of 13 July to Willie Whitelaw about your legislation on specific grants.

I entirely agree with your suggestion that the upper limit on the proportion of planned local authority spending on education to be supported by specific grants should be set at a level which will accommodate support for schemes of technical and vocational education. In the absence of other evidence about the kind of sums that might be appropriate, I think it is sensible to allow for continued spending of the order currently anticipated under the Technical and Vocational Education Initiative (TVEI) and this would imply an upper limit of 1%.

We shall obviously need to discuss in due course with David Young the financing of technical and vocational education in future years in the light of the new powers you propose to take. As you know, I would expect any continuing support beyond the 5 year period to be carried on the education budget in the form of specific grant. Meanwhile however I think that we shall need to be a little careful about our public references to what we intend. First and most important, we need to make clear that we are not talking about transferring the Commission's current responsibilities for the schemes to your Department within their 5 year contractual period. Secondly it is still too early to judge whether we shall wish to keep the pilot schemes going with broadly the present system of funding beyond their current term. And thirdly I am doubtful whether there will be any substantial resources allocated to the TVEI to be "transferred" at the end of the 5 year period.



I should be grateful therefore if you would ask your officials to keep in touch with mine about the briefing for your Bill in so far as it bears on the TVEI. But I emphasise that my concern is simply in relation to presentation, and I am sure it is right for the Bill to enable you to provide significant support for technical and vocational education by way of specific grant.

I am copying this letter to the Prime Minister, other members of H Committee and Sir Robert Armstrong.

J. Norman

Education
Policy
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25 JUL 1983

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MSBm
 ✓ No
 4/4
 1/4



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph MP
 Secretary of State
 Department of Education and Science
 Elizabeth House
 York Road
 London SE1 7PH

22 July 1983

Stan Keith

EDUCATION SUPPORT GRANTS

Your letter of 13 July to Willie Whitelaw proposed two changes in the proposals for education support grants set out in your consultation document. I fear I see difficulties in both.

I could agree to a limit on qualifying expenditure set as high as $\frac{1}{2}$ per cent of planned local authority education expenditure only on the strict understanding that you were not to regard this maximum figure as an entitlement. Both the purposes for which the grant was to be given and the amount of qualifying expenditure for any one year would be for discussion between us. The pressures on aggregate Exchequer grant are already very tight for the foreseeable future, and I see little prospect of my being able to agree that you should go as high as $\frac{1}{2}$ per cent for the next few years.

I am uneasy about the proposal to take a power to raise the limit to 1 per cent by regulations in case it is needed for the TVEI. I appreciate that Norman Tebbit suggested earlier in the year that if, after the 5 year pilot stage, the TVEI were transferred from his programme to yours, your new powers would provide an appropriate means of financing it. This thought was not discussed further at the time (though Leon Brittan pointed out that it would be difficult to accommodate TVEI expenditure within the proposed statutory ceiling). But it seems to me on reflection that a 'pump priming' grant to provide temporary support for new activities is not an appropriate way of supporting a programme which, by the time of its transfer, would be an established part of the education service. I would in any event be reluctant to provide now for a possible eventual doubling of the proportion of education expenditure met from specific grant, in view both of the other claims on the aggregate of Exchequer grant and of the danger that a future administration would put such a power to uses we would not welcome.

CONFIDENTIAL

The objections to a higher rate of grant were clearly set out in earlier letters from my predecessor and from Tom King and I do not see the local authority associations' preference as a sufficient reason for setting them aside. After all, the main burden of the associations' comments is that they would much rather do without a new specific grant at all.

Copies of this letter go to the recipients of yours.

*Yours truly
Peter Rees*

PETER REES

CONFIDENTIAL

1 AUG 1968





DEPARTMENT OF EDUCATION and SCIENCE

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PRESS NOTICE

242/83

WEDNESDAY 20 JULY 1983

HMI REPORT ON EDUCATION EXPENDITURE

Schools and colleges in 1982 generally experienced few major changes in levels and standards of provision. The pace of reduction in the levels of resources in schools, caused by the combined effects of expenditure constraints and falling rolls, has slowed down.

The great majority of education in schools and colleges is adequately provided for, but there are inadequacies in individual institutions which cannot be shrugged off.

This is stated in a report* by Her Majesty's Inspectorate published today on the effects local authority expenditure policies had on the education service in England in 1982.

The evidence, says the report, is that in most local education authorities there was a mix of slight improvements in some aspects of provision, slight worsening in others, and a standstill in the remainder.

But even where ground is being held it is important to remember what ground; the baseline of provision is characterised by levels and standards of resources which are sometimes inadequate to maintain the status quo, already limited in many cases by years of trimming back. Some new initiatives have been possible but in general schools were less than well-placed to respond constructively to the many calls for educational improvement and change.

Twenty-two authorities improved their levels of provision in schools overall while nine similarly reduced them. Most authorities had broadly satisfactory levels of provision across most of the aspects assessed (teaching staff, non-teaching staff, in-service training, induction, advisory services, premises, and books, materials and equipment).

* Report by HMI on the Effects of Local Authority Expenditure Policies on the Education Service in England in 1982. Copies available free from the Publications Despatch Centre, Department of Education and Science, Honeypot Lane, Canons Park, Stanmore, Middlesex HA7 1AZ

Variations among LEAs in the levels of observed provision persist but the range was not, as in 1981, apparently widening. Nor were the frings groups getting larger.

In autumn 1982, six LEAs were reckoned to have satisfactory (or better) provision across all seven expenditure aspects compared with five in 1981. One metropolitan district has dropped out, and two county authorities have moved in.

At the other end of the scale HMI last year were concerned about the level of provision in four LEAs. Two of these increased provision in 1982, one by an amount such that its overall level is no longer a matter of concern.

But a county authority with a previously low level of provision so reduced it in respect of all but two of the heads of expenditure that it joined the group, still four, which is of concern to HMI.

In further and higher education, colleges generally appeared to be adapting well to meet new demands and there was no evidence of any major defect in the condition of the system or in its range of provision but there were deficiencies in individual institutions affecting both traditional further education and the general education courses in which the less well qualified new-to-non-advanced further education population often appears.

The spare capacity in colleges, present a few years ago in this then very well-provided part of the service, appeared to have been largely taken up. Many colleges, particularly those providing predominantly non-advanced courses, were becoming severely taxed by the increasing number of students they were attempting to cater for.

The report concludes that, despite the largely satisfactory provision in schools and colleges and the efforts and achievements of LEAs and institutions, "there has been for some years a rash of deficiencies which affect schools, non-advanced further education and advanced further education (in decreasing order of severity).

"Time will correct some of the deficiencies but pupils and students depend on what is offered in the present. The most urgent need is for clearer understanding of how to deal, educationally and financially, with specific problems as and before they arise.

"There is much to be done to make good the basic range of provision and even more to meet necessary changes in population of pupils and students and the many new tasks already formulated or yet to be perceived."

The report is the sixth in a series of annual reports by HMI. It is based on reports from HMI's visits to schools and colleges last autumn and on returns on all LEAs made by District Inspectors in November 1982. No account is taken of changes for better or worse in local authorities' expenditure policies, actual or planned, since last autumn.

A total of 2,259 returns were made on 1,733 schools (including sixth form colleges) and 671 on 339 further education institutions, including the youth service and adult education.

The report states: "These observations cannot be taken as statistically representative nationally or for any one LEA or type of institution. They do not provide a basis for detailed comparison with last year. They are, however, sufficiently numerous and diverse to provide an acceptable snapshot of the present state of play in schools and non-advanced further education."

NOTES TO EDITORS

1. This is the third time the report has been published, the first being in February 1981, following requests from the local authority associations for it to be made more widely available.
2. It is the sixth annual report presented to the Expenditure Steering Group - Education (ESGE), the joint Department of Education and Science/local authority associations group at official level. ESGE is chaired by a DES senior official and is a sub-group (as are equivalent groups for other local authority services) of the Consultative Council on Local Government Finance. Its prime task is to monitor trends in LEA expenditure as part of the process of consultations leading to the Government's decision on the annual Rate Support Grant settlement.



DEPARTMENT OF EDUCATION and SCIENCE

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PRESS NOTICE

243/83

20 JULY 1983

EDUCATION SECRETARY COMMENTS ON HMI REPORT

Commenting today on the report by Her Majesty's Inspectors on the effects local authority expenditure policies were having on the education service in England, Education Secretary Sir Keith Joseph said:

"I take seriously the concerns expressed in the report. It states that in most authorities within schools there is a mix of slight improvements in some aspects of provision, slight worsening in others, and a standstill in the remainder.

"It also says that, within further and higher education, colleges appear to be adapting well to meeting new demands; and that although there are some deficiencies there is no evidence of any major defect in the condition of the system or its range of provision.

"The report notes that the variation among LEAs in the levels of observed provision is not widening. As the report makes clear, there is no simple relationship between expenditure on the one hand and the quality of education offered and the achievements of pupils and students on the other.

"The report lays particular emphasis on the use to which resources are put and says that in some places there may, given time, be room for redistribution of resources.

"The position has not changed dramatically since last year. There is a number of deficiencies to which we must give attention, but also many satisfactory features on which we must build."

**REPORT BY HER MAJESTY'S INSPECTORS
ON THE EFFECTS OF LOCAL AUTHORITY
EXPENDITURE POLICIES ON THE EDUCATION
SERVICE IN ENGLAND-1982**

INTRODUCTION

1. This is the sixth in a series of short annual reports by HMIs to the Expenditure Review Group (Education). It is based on HMIs' routine and programmed visits to schools and colleges during the autumn term 1982 together with relevant information received in 1982 by HMIs.

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REPORT BY HMI ON THE EFFECTS OF LOCAL AUTHORITY
EXPENDITURE POLICIES ON THE EDUCATION SERVICE IN
ENGLAND - 1982

INTRODUCTION

1. This is the sixth in a series of short annual reports by HMI to the Expenditure Steering Group (Education). It is based on HMI's routine and programmed visits to schools and colleges during the autumn term 1982 together with returns made in November 1982 by District Inspectors (one each for schools and for further and higher education) for all 96 Local Education Authorities (LEAs) in England. It provides a commentary on the provision seen to be made for education and illuminates in some degree the effects of local authority and institutional expenditure policies, past and present, on the availability, range and standard of education offered in schools and further education. No account is taken of changes for better or worse in local authorities' expenditure policies, actual or planned, since Autumn 1982.

2. The relationship between expenditure on the one hand and the quality of education offered and the achievements of pupils and students on the other is not simple. It is obvious that negative attitudes by any of the participants can undermine the effects of the best spent money while, on the other hand, positive attitudes can overcome some of the restrictions on achievement arising

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from low or inappropriate spending. But this does not change the basic needs to be met by educational expenditure. In order to provide sound education, money has to buy four things: range; differentiation; match; and change. It must first provide the ingredients of the curriculum appropriate to the various stages of education and to essential qualifications; it must pay for the necessary educational functions which, as well as their teaching, fall to teachers (eg assessment of pupils, guidance and staff development) and for the services inside and outside the school or college that support the conduct of institutions and the progress of individuals. Secondly it must provide for variation in the basic range of provision to accommodate differences of ability, aptitude and goal, or, for example, of local circumstances, family background or mother tongue. It must then, thirdly, within a LEA and, more particularly, within an institution match the essential requirements of range and differentiation with appropriate accommodation, staffing (both teaching and support), training, equipment and materials. Fourthly, in the light of regular review of both provision and performance, it must buy changes required to improve and update the existing and to accommodate the new in curriculum or qualification, as well as any necessary restructuring of institutions, or redeployment of staff.

3. These four objectives of expenditure have to be held in balance and, as with any other expenditure, care has to be exercised to spend wisely on people and things that will hold their value for as long as possible in a context of inevitable development

and change. At any one time, for a variety of reasons, there is likely to be a degree of mismatch in amount, kind or quality of what education needs and money has bought. The managers of education and expenditure, at all levels, have then to decide priorities for improving the match in any part while avoiding major disruption to the necessary balance. This sort of management requires sufficient stability of function, population and funding – or at least information about these – to permit planning over a period of years. It is tempting to seek to establish a hierarchy in the key commodities to be bought and planned for but, in fact, no one commodity has its full value without adequate expenditure on the others, and the hierarchy will vary from LEA to LEA and institution to institution. There can, however, be no question but that the right teachers in the right number (properly equipped and supported) have the first claim on education expenditure.

4. This report is based on separate analyses of the degree of satisfaction (or dissatisfaction) with what money is currently providing in institutions or parts of them. It does not analyse individual cases in terms of the appropriateness of the mix of what money has bought, still less pick up the comparatively rare cases of unnecessary expenditure. Under each heading it identifies problems likely to require money if they are to be corrected. It does not address itself to aspects of education which, though more or less adequate, might well function more effectively as the result of professional leadership or mutual decision and without additional expenditure. Underperformance

from either cause needs tackling, but it is unlikely that the second will be taken as seriously as it needs to be in institutions where there are long standing deficiencies requiring expenditure for their amendment.

5. The heart of this report derives from HMI's observations in institutions and District Inspectors' broad assessment of the effectiveness of provision in individual LEAs. Two thousand two hundred and fifty nine returns were made on 1,733 schools (including sixth form colleges) and 671 on 339 further education institutions, including the youth service and adult education. These observations cannot be taken as statistically representative nationally or for any one LEA or type of institution. They do not provide a basis for detailed comparison with last year, nor are they directly comparable with the assessments of District Inspectors. They are, however, sufficiently numerous and diverse to provide an acceptable snapshot of the general state of play in schools and non-advanced further education (NAFE). For advanced FE (AFE) the returns can do no more than illustrate. Direct information on the youth service and adult education is even more limited and does not provide a sufficient base for detailed comment in this report; overall provision for these services seemed much as before.

6. The observed effects returns deal in actuality and HMI's assessment of it. The District Inspectors' returns deal with decisions

about overall distribution of resources within an LEA and with the details of any changes in level of provision compared with last year. To the facts provided by the LEA, HMI added comments about the pattern of expenditure in the authority and any changes in it in the light of their judgement of the provision observable in the LEA's institutions. All the assessments therefore embody HMI's professional judgement about the range of opportunity that might be thought to be required by the current law of education and appropriate to meet current policies.

7. The report gives a general comment first, followed by sections on schools and further and higher education (FHE). Separate, more detailed analyses of the returns received are being made available to ESGE.

GENERAL

8. For the first time this year, despite the generally more secure base of provision in FHE, the same message emerges as relevant to both schools and NAFE. The great majority of education in schools and colleges is adequately provided for, but the nature of some of the inadequacies observed in individual institutions is such that they cannot be shrugged off in any general satisfaction. When standards in the basic curriculum and the applicability of education to earning and work are, as now, at a premium for pupils and students of all abilities, access to them has to be assured. Yet the observations show that some pupils in some institutions, from primary schools to further education, in some parts of the country do not have that access.

9. There is no suggestion that this is a matter of will, though it may in some cases be one of inadvertence or temporary expediency. Such cases can occur in LEAs and institutions whose management is well informed and skilful. In some cases, there may, given time, be room for redistribution of resources. In others, there are simply not enough resources. The continuing stream of parental contributions to schools may well not be available in those cases where it could do most good; in any case these contributions are rarely addressed to the problem of specific shortages of teaching staff or to any aspect of FE. At a time when some LEAs are about to have the added advantage of specific projects for lower attaining pupils or technical and vocational

education, the general making good for all pupils in all LEAs of their basic education has to be a matter of common concern. Its financial implications clearly require further investigation. It goes without saying that its professional implications require constant attention.

SCHOOLS

10. Overall, it seems that in 1982 schools generally experienced few major changes in levels and standards of provision. The pace of reduction in levels of resources, occasioned by the combined effects of expenditure constraints and falling rolls, noted in previous reports, has slowed down. The evidence is that in most authorities there was a mix of slight improvements in some aspects of provision, slight worsening in others, and a standstill in the remainder. Provision and falling rolls may, however, interact in such a way that the same level of provision provides a less broad curriculum, less differentiation by ability or less good match of teachers' skills to their teaching programmes. The movements of provision and standards do not therefore necessarily go hand in hand. What is on the ground gives a clearer signal than the theoretical provision, unchanged, better or worse.

11. The overall provision of teachers illustrates the point. Sixty-eight authorities improved their primary pupil:teacher ratios, and sixty-five their secondary, often almost unavoidably because of falling rolls. Nationally, the secondary pupil:teacher ratio remained stationary at 16.6:1 whereas the primary pupil:teacher ratio improved from 22.7 to 22.5:1. This improvement has not prevented, in some areas, losses from the curriculum or reductions in supply cover for various purposes, or in provision for the induction of new teachers. This perversity is in part connected with the complications arising from the fall in pupil

numbers. In the first place, much education for many pupils involves courses of continuous study of anything up to seven years in one institution. Once started these can be sensibly interrupted only at given points and any curtailment may be wasteful of both talent and money. Numbers of pupils may therefore fall but a school's commitments do not lessen. Secondly, the shedding and redeployment of teachers surplus to need as a result of falling rolls is a difficult and lengthy matter. (Authorities have on the whole avoided compulsory redundancies). Thirdly, overall pupil:teacher ratios may improve but the nature of the numerical improvement achieved in this way may be random and cannot guarantee that all schools have adequate supplies of the teachers they need or that every school in an authority is better placed than in 1981.

12. To return to the general picture, twenty-two authorities improved their levels of provision overall while nine similarly reduced them. Most authorities had broadly satisfactory levels of provision across most of the aspects assessed (teaching staff, non-teaching staff, in-service training, induction, advisory services, premises, and books, materials and equipment). Variation among LEAs in the levels of observed provision persisted but the range was not, as in 1981, apparently widening. Nor were the fringe groups getting larger. In autumn 1982, six LEAs were reckoned to have satisfactory (or better) provision across all seven expenditure aspects. Last year's report recorded

five LEAs in this well-found group: one metropolitan district has dropped out, and two county authorities have moved in.

13. At the other end of the scale, last year's report noted HMI's concern about the level of provision in four LEAs. Two of these increased provision in 1982, one by an amount such that its overall level of provision is no longer a matter of concern. But a county authority with a previously low level of provision so reduced it in respect of all but two of the heads of expenditure that it joined the group, still four, which is of concern to HMI.

14. Elsewhere, though the ground is being held, it is important to remember what ground. Last year's report pointed out that LEAs and schools were surviving financially by doing less and that they were obliged to take the less in the form it came to hand rather than by shaping it to meet educational priorities. Even with evidence of much sharper management, that is the ground that is being held. It is characterised by levels and standards of resources which are sometimes inadequate to maintain the status quo, (already limited in many cases); by significant disparities between and within schools; and by schools in general being less than well placed to respond constructively and enthusiastically to the many calls for educational improvement and change that come from the education service itself and from parents and society, and which often require either extra educational range or diversification or both.

15. The advisory service is a case in point. Overall, as a result of mainly small gains or losses in 54 LEAs, the total number of advisers across the country had risen by about 10 since autumn 1981. (One shire county increased its advisers by 14.) However, in 16 cases there was a reduction despite the existing complement being less than the 15 usually considered a minimum. HMI assessed the cover provided by advisers as satisfactory in only 35 LEAs (ie 3 more than last year). Unsatisfactoriness was usually a question of the composition of the local team but in 21 returns was attributed, at least in part, to an excess of administrative work. Although across the country there were new appointments in some authorities for primary education, computer education, English, mathematics, multi-cultural education and special educational needs, elsewhere these same fields of work were among those inadequately provided for.

16. Weaknesses noted in the provision for in-service training and induction are likely to relate at least in part to shortage of advisers. Overall there was no great change in in-service training provision in 1982 though there was some increase in secondments over 1981. But HMI judged the in-service provision made in LEAs to be less than a match for current needs in 38 LEAs - 52 in the case of the induction of probationers.

17. Under the other expenditure heads there appeared to have been little change overall since 1981. Provision for the repair and maintenance of premises and for capitation allowances covering spending on books, materials and equipment was,

as last year, judged satisfactory in between three-quarters and four-fifths of schools visited. Allowing for a degree of overlap this nonetheless represents a substantial proportion of schools with one deficiency or another.

18. This general picture of no significant change means that the conditions in which many teachers work are little better than noted last year. As more authorities agree their school reorganisation plans to take account of reduced pupil numbers there is less uncertainty among teachers about their futures.

This may account for some evidence of better morale. The number of LEAs where teacher deployment is to some extent linked with a curriculum to be maintained increased to one in four, and there was some evidence of an improved match between teacher qualifications and what they teach and therefore better hope of job satisfaction and better standards.

19. But the pattern of vulnerable subjects and groups of pupils is much as was noted last year with mathematics, science and remedial teaching significantly represented in both primary and secondary schools, and special schools short of a range of subject expertise. Many primary and secondary schools have found themselves obliged by a combination of resource reductions and falling rolls to concentrate on the middle range of pupils with a consequence that the educational needs of the most and least able are not adequately reflected in either curriculum or organisation. Many schools have continued to be unable to make progress in dealing with long-standing difficulties such

as the teaching of minority subjects, or mixed age and mixed examination target classes.

20. Some new initiatives have been possible but there were some signs that perceptions of what is necessary and desirable were being restricted by what was immediately possible. The professional commitment and resourcefulness of teachers, education officers and advisers continued to be stretched by the efforts needed to maintain the status quo and were, in many cases, fretted by obvious inequalities. Since numbers of teachers are the key to providing teaching groups to match pupils' needs, the gross variations in staffing observed in both primary and secondary schools are of urgent concern.

21. Parental contributions to the costs of education were widespread. Beneficial as these are to the schools concerned, they have become an important factor in widening the difference in resources available to schools. District Inspectors recorded slightly fewer cases than last year of authorities where parents made moderate to considerable contributions to the provision of books and materials. But, at the school level, over two-thirds of all returns made by HMI on their visits judged parental contributions to be moderate or substantial.

22. Problems of educational provision may declare themselves more visibly in secondary schools, and recent national and local initiatives are more frequently concerned with secondary

education than primary. But in considering the way ahead it is vital that the claims of primary education should not be underestimated.

23. In addition, in both primary and secondary phases, special note needs to be taken of the recorded increase in the numbers of children with significant disabilities educated either in mainstream classes in ordinary schools or, more commonly, in designated classes or units attached to them. This was found in about a third of all LEAs, to a moderate or considerable degree in eight. Provision for special educational needs had increased in 22 LEAs, decreased in 15 and been reorganised to some degree in six. Out-county placements were viewed with some concern by some LEAs on grounds of cost. These changes in the balance of provision were associated with markedly beneficial changes in curriculum in only a handful of LEAs. In at least five LEAs there had been lack of appropriate in-service or advisory support for teachers of children with special needs in ordinary schools.

24. A minority of LEAs took extra steps to improve the provision for one or other group of children with particular needs. Five LEAs were for example reported as providing better support for children needing additional help in English and four LEAs as making improved provision for schools in social priority areas.

From the limited information available, it appears that schools are not finding it easy to provide well for differences without billing into what they must do for all pupils.

PRIMARY SCHOOLS

25. Teacher staffing, and within it the disparities and shortages, remained the key feature of HMI's observations. District Inspectors reported ratios in primary schools in individual LEAs ranging from 16.5:1 to 25.6:1 but in the schools visited by HMI the range was from 8.5:1 to 31.0:1. Small rural schools and urban schools in LEAs which also have a large number of small rural schools were facing particular difficulties of tight staffing. Mixed age classes and undifferentiated ability groupings were more common.

In some schools specific shortages in expertise could not be made good and heads had difficulty in maintaining a broad basic curriculum when teachers left. Although satisfactory staffing was recorded in the great majority of comments, deficiencies were quite commonly noted in respect of remedial teaching, mathematics, science, music and art and design. In middle schools, the major problems were with science, French, music and CDT. No subject was likely to be totally unscathed.

26. The picture of non-teaching support was much as last year: satisfactory in nearly three-quarters of the schools visited.

But, particularly in authorities outside London, lack of clerical assistance continued to distract heads from their fundamental task of educational leadership and management, and less than adequate provision of classroom ancillaries limited some teachers in their professional duties.

27. Although opportunities for in-service training appear to have improved marginally since 1981, the inhibitors to teachers' take-up of the opportunities were as apparent as before, for example, lack of supply cover or financial support for travel or attendance. Yet all primary teachers face the changing demands being made of schools; teachers need guidance, and time in school hours, in order to act effectively as consultants in parts of the curriculum, for example in mathematics as recommended in the Cockcroft Report. Many schools need to develop new approaches in the teaching of science and most schools need to develop suitable work with the micro-computer. The consistent development of language skills still needs concerted effort. The observed continuing deterioration in programmes of induction for probationer teachers is of particular concern.

28. Good management of resources by schools has become more necessary than ever. Those schools which had bought wisely over the years were more easily able to stretch their allowances to meet the needs of their pupils, but levels of resources provided by LEAs differed markedly. Book provision was judged to be satisfactory or better in three-fifths of authorities and in about four-fifths of visits. But the unfavourable comments touched on important aspects of education, eg English, science, mathematics, picture books for the youngest children and, among library books, both reference books and fiction. The observed provision of consumable materials was judged satisfactory in the very large majority of cases. But again there were worrying cases of shortfall, particularly for art and, less commonly, for science.

29. It has to be noted that there was clear evidence that (except, perhaps, in London) primary schools were frequently dependent upon parental contributions, not only for "extras" but to buy books and basic materials.

30. In general, the state of maintenance and decoration has not improved and, as in 1981, in one-quarter of the primary schools visited maintenance was inadequate and decoration shabby. There is an increasing amount of surplus accommodation in both permanent and temporary buildings and nearly one-half of the schools visited had one or more "spare" rooms. HMI noted that one third of these schools were making good use of the rooms as libraries and resource areas or for small group teaching.

31. LEAs and schools accept that they have to order and re-order their priorities by adjusting the balance of available resources, including teachers, to match identified needs and targets. Some change can be achieved by more effective management of existing resources. Many authorities are now tackling the problem of the overall organisational structure of their schools and a few are attempting to base the staffing of their primary schools on maintaining the current curriculum. If pupil:teacher ratios are not otherwise adjusted at a time of falling rolls, both these measures make educational sense. But in many cases the 1982 returns show that what can be achieved is limited by the lowered baseline of provision consequent upon successive years of trimming back. If one looks ahead, many of the changes

implied by current policies, including improvements in the quality of teaching, have cost implications.

SECONDARY SCHOOLS

32. Although in 1982 there was no further serious erosion of the levels of resources made available to schools, the cumulative effects of financial constraint noted in previous reports still put at risk and in some cases undermine attempts to maintain standards, particularly as the wave of falling rolls moves through the secondary sector. Small schools are most affected, not least because they are more expensive if they provide a standard secondary curriculum.

33. Staffing is, throughout, the main constraint. Attempts have been made in about a quarter of all LEAs to accommodate falling rolls by relating the staffing of schools to the needs of the curriculum. In fifty-three LEAs staffing was assessed as generally satisfactory and, across the country, it was held fairly steady overall. But in 12 cases tightening was observed even where the authority's PTR was already less favourable than the national secondary ratio. Amidst this overall near stability, homogeneity and even improvement at the authority level, a surprising range of PTRs was observed in schools: HMI found ratios as low as 9.7:1 and as high as 21.8:1.

34. For a variety of reasons – which must, as always, include the range of visits made – the match of qualifications to teaching

noted in this year's visits was better than last. But small secondary schools had noticeably more non-specialist staff teaching subjects for which they were not qualified by initial or in-service training than larger schools. Shortages of specialist teachers were noted in a quarter of all returns on individual schools. Redeployment of teachers had in some cases increased the incidence of teachers teaching beyond their qualifications. There was a significant number of references to over-heavy loading of teachers.

35. The curriculum and its delivery to pupils were in some schools marred by similar features to those noted last year. Option choices for pupils in years four and six were restricted and mixed target examination groups had become more common in some schools. Some minority subjects, such as languages other than French, were taught outside the normal timetable or, rather more often, lost. And even a mainstream subject like music could be so treated. There were plenty of examples of the more academically able pupils being insufficiently challenged and even more of the slow learners being short of support or appropriate curricula.

36. Post-16, in well over one-third of all LEAs, there was an improvement in the range of courses offered to the increased number of non-A-level pupils. But the extra provision was not always well planned and there was still much use of examination courses inappropriate to the needs and aptitude of the pupils. For example, only half the observations in respect of sixth form colleges recorded satisfactory provision for less academic pupils or for those for whom a pre-vocational programme might

be appropriate. There was also some evidence to suggest that the provision for A-level pupils in schools had deteriorated in some parts of the country. Some deficiencies appeared to have arisen from the consequences of falling numbers of A-level pupils to which LEAs and schools had not fully adjusted; poor organisation within and between schools was a factor in some cases, insufficient specialist teachers in others. Pupils in some LEAs not only have access to a more limited range of A-level courses but also have fewer opportunities than in other authorities for general studies.

37. At the same time as these restrictions occurred, micro-computers and associated studies have clearly taken root in the curriculum throughout the secondary school, though so far only in a small way. The growth in micro-computers, backed by the Department of Industry programme and encouraged by the Microelectronics Educational Programme (MEP) was not paralleled in those aspects of teaching support more dependent on capital, boosted as it may be by parental contributions. Overall provision of books in secondary schools was judged to be satisfactory in only two-fifths of LEAs. Library provision was often found inadequate to support the pupils' levels of learning, particularly those of the less academic, and, although in two-thirds of the work observed textbooks were in satisfactory supply, there were still too many cases where pupils did not have enough textbooks in subjects such as English, modern languages and, especially, science. The pupils' capacity to work on their own was therefore reduced.

38. The general picture of the provision of consumables was satisfactory and slightly better than last year. Where there was shortfall it was sometimes attributable to teachers' choices.

But there were sadly unavoidable cases of shortages for art, CDT, science and other practical subjects. For the pupils concerned in this nearly a fifth of all institutions visited, such shortages were serious. Pupils were quite commonly buying at least some of their own materials, in art, home economics, needlework and CDT.

39. Equipment, too, presented the same face as last year: about a quarter of the observations on secondary schools identified problems. Science and computing were particular subjects of adverse comment.

40. There has been no further deterioration overall in the state of secondary school premises but the backlog of necessary repair and maintenance work appeared undiminished. In two-thirds of the secondary schools visited, the present state of repairs and maintenance of the premises was judged to be satisfactory. But in only one-third of LEAs was that assessment made of secondary school premises as a whole.

41. Secondary schools were in general not well placed to meet the demands currently made on them in respect of their general curriculum (along the lines of Circular 6/81 and, subsequently, the associated consultation documents on science and modern languages, and of the Cockcroft Report). They are asked to raise standards across the board, to develop a more practical

curriculum for pupils of all abilities and to enhance the prevocational and technical element; and, in particular, to improve the motivation of and means of learning for the least academic of their pupils.

The 1981 Act requires new effort in respect of special educational needs without decreasing the schools' obligations to match any of the other accepted variations within a school population.

Recent ventures like the MEP will not and should not stand still but need to grow under control. The degree of management, self-awareness, and co-operation required of schools is high and needs to be matched with time and training if individual pupils' needs are to be reasonably accommodated and their progress properly recorded for use by both schools and pupils.

Although there may have been a marginal improvement in the opportunities for in-service training, much more of it, as well as other targeted resources of all kinds, needs to be made available if teachers are to meet the needs of the full range of their pupils and particularly of those who, even with the Youth Training Scheme (YTS), are likely to be the least equipped to reach the increasingly demanding standards required for success in the employment market. In most secondary schools, existing levels of resources could not now be stretched to meet the demands legitimately placed on them by the community at large, nor could they in all cases maintain the existing basic provision. It needs to be recognised that the top of the secondary school faces similar demands to those made on non-advanced further education (NAFE) with its growing and in some cases new clientele. The majority of schools could and would do more and better if they had available the resources normally found in NAFE.

FURTHER AND HIGHER EDUCATION

42. The returns covering further and higher education indicated that the changing trends in student demand noted in previous reports had continued. Overall, colleges appeared to be adapting well to meet new demands and there was no evidence of any major defect in the condition of the system or in its range of provision but there were deficiencies. The spare capacity present a few years ago in this then very well provided part of the service appeared to have been largely taken up. Many colleges, particularly those providing predominantly non-advanced courses, were becoming severely taxed by the increasing number of students they were attempting to cater for.

NAFE

43. In the colleges providing mainly non-advanced FE, increased provision was being made in response to further growth in full-time recruitment arising from increased staying on rates for 16-year olds, a continuing decline in the number of part-time vocational students, and increasing numbers from the Manpower Services Commission (MSC) sponsored youth opportunities and related programmes. Many more colleges were engaged with the MSC programmes in dealing with the young unemployed, particularly in the southern half of England, which has only recently come to experience this problem on any sizeable scale. The extent of MSC-funded courses in many colleges

Is such that the income generated provides a substantial part of the total available resources, and its withdrawal or reduction for any reason would create significant problems.

44. Overall, HMI's assessments of both the provision of NAFE by the authorities and the work in institutions recorded that its condition remained satisfactory. More than four-fifths of all the comments judged the number, range and scope of courses available, and the provision of teaching staff for them, as satisfactory or better.

45. Given the colleges' record, it is tempting to suggest that the less satisfactory cases will be corrected as the colleges adjust to the changes in demand, but it would be unwise to be complacent or to assume the correction could in all cases be made without additional expenditure. Meanwhile, some potential students may not be getting courses at all and other students are getting inappropriate or less than well-found ones.

46. The size of the problem, as illustrated by HMI's visits, is almost a fifth of the total, and its incidence is more marked in shire counties than elsewhere. The causes of dissatisfaction are most commonly: demand being greater than provision; staff shortages; lack of course development, accommodation or resources. The sorts of course provision found wanting ran from the general education courses in which the less well qualified new-to-NAFE population often appears and across

the range of traditional FE eg agriculture, food education, construction, mathematics and computing, industrial science and engineering. For the last named area, as for nautical subjects, a continuing decline in enrolments is also a problem.

47. If one focusses down on the problem area in NAFE, staffing is a key factor in most cases, either because there are insufficient staff to carry out the work adequately, or because those available are inappropriately qualified for the work they are undertaking. Nearly half the unsatisfactory assessments of staffing concerned inadequate adaptation to the changing demands on and curricula of the colleges, but a further third related to employment patterns with temporary appointments and large numbers of part-time staff adversely affecting the stability and continuity of teaching.

The former circumstances underlined the need for adequate programmes of staff development whilst the latter staffing pattern highlighted the difficulty of always providing it. In a situation of marked change good senior staff are vital.

48. Accommodation was also a major aspect of unsatisfactory provision and often a considerable problem in otherwise satisfactory provision. Shortage of space and use of inappropriate or inadequate accommodation featured equally. Ingenuity in providing solutions may, however, create other problems like shortage of non-teaching space, over-dispersed (and more difficult to manage) institutions, and under-cleaned and under-maintained premises.

49. Equipment, too, attracted criticism on grounds of being worn out or out-dated. A proportion of these cases related to the introduction of new technology eg in engineering and business studies, but others were of more routine nature, for example in food education and agriculture. Such references were often accompanied by comments on shortages of consumable materials due to inadequate funding. Some colleges are now charging a student registration levy; the amount of this levy varies with the mode of student attendance or the nature of the "specialism" involved. In catering courses, the cost of raw materials is high and colleges can charge the students high prices for any cooked food sold. The need to recover the cost of raw materials from sales of cooked food can influence the range and type of dishes produced. There were over forty examples of colleges using MSC funding to supplement purchases of materials for traditional FE courses. In addition, a number of colleges continued the practice of acquiring "off cuts" and surplus materials from local firms.

50. The provision of non-teaching staff attracted adverse comment, not only in those cases of NAFE judged less than satisfactory.

It is a matter of general concern, not least because of its impact on FE's capacity to develop necessary new work and because of its adverse effects upon the efficiency and productivity of the teaching staff. Straight shortages (of technicians and clerical or administrative staff) create the main problems but manpower

policies which restrict the filling of essential, vacant posts seem an unnecessary complication, particularly for courses which, compared with those in schools, are of short duration and may pose the special problems of part-time attendance. Previous reports have also commented on the importance of a proper mix of expenditure if value for money is to be reflected in students' achievements. The place of non-teaching staff in the desirable mix is obviously something requiring better general understanding.

51. Despite these specific problems which need to be tackled, the achievement of authorities and colleges is notable when one considers the substantial increase in student numbers and the considerable change in the balance of course demand in recent years. Further change will inevitably follow the full functioning of the Youth Training Scheme and the growth of demand for post-experience training. Most authorities still lacked in autumn 1982 systematic plans for providing for changed and changing numbers and types of 16-19 year olds wishing to continue their education. Few authorities could look forward with confidence as to the demands which MSC might make on them. In many areas there was strong evidence that the local authorities, colleges, MSC and other interests needed to come together to give consideration to better co-ordinated provision for 16-19-year olds. Elimination of some of the disorderly features of existing arrangements would release resources for the development and improvement of the education and training opportunities currently available.

52. It is more difficult to assess the message from HMI's less numerous visits to AFE (mainly to polytechnics). Specificity and standards are in a sense even more important at this level and it is rash to generalise without an adequate base. Illustration is, however, in order. Where such illustration is of problems that affect the learning of students in their crucial transition to highly qualified employment, there is room for further investigation and consideration of solutions.

53. Generally the available evidence suggests that the major providers of AFE were able to cope with increased student numbers using a smaller teaching force with no significant effects on the quality of instruction. There was some evidence, however, that a further tightening of staffing ratios would require more fundamental changes in disposition and institutional management procedures. The provision of premises, non-teaching staff and equipment produced more problems but were judged satisfactory in about three-quarters of HMI's autumn visits. In the remaining quarter attention was particularly drawn to the need to improve, update or replace specialist equipment; to shortages of materials for laboratory and workshop based courses; to limitations on library expenditure affecting the ability to maintain an adequate bookstock; and to shortage of technicians. Among the majority of cases judged satisfactory or better, are many which are described as very good. It is not possible to consider whether the cases of satisfaction had anything they could cede to the

less satisfactory. The heart of the matter is the definition of specific need.

TEACHER TRAINING

54. Within FHE lies the crucial area of teacher training, with its double, academic and practically professional, demand and a high degree of specificity. The limited number of visits (46) made by HMI in the autumn term of 1982 do not allow distinction to be made between the two aspects. It is not possible to comment on any particular aspect of the academic provision. In general, staffing levels and opportunities for staff development were judged satisfactory. Some increase in secondments was associated with redundancy arrangements and it is not clear that enough provision was as yet being made to support necessary transfers from secondary to primary teacher training. Cuts in non-teaching staff were fairly regularly reported and standards of maintenance had fallen noticeably. However, provision of equipment and materials, including library resources, remained satisfactory in all but about a tenth of the institutions visited.

55. In respect of the practical aspects of training, at a time when close links between training institutions and schools are seen as fundamental to efficiency, it was apparent that limits on funds available for travel imposed a restraint in a sixth of the institutions. Supervision of school experience and school

based activities for students were therefore reduced and the choice of school for such activities was in some cases related to distance rather than educational criteria. The same theme of difficulty in maintaining and establishing closer links with schools also marked the comments on college-based in-service training provision. In general, programmes and consultation about priorities are satisfactory and many staff were recorded as giving their services to schools beyond normal requirements.

56. As progress is made in implementing the Teaching Quality White Paper, attention will need to be given to the messages embodied in these comments and to examining the pattern of expenditure which makes for effective teacher training.

CONCLUSION

57. This report rests mainly on the actuality HMI observed in institutions in autumn 1982. In its interpretation it draws on the Inspectorate's general knowledge of the performance of the system. There can be no doubt that LEAs and institutions are generally trying to reconcile their educational obligations with current financial policies. There is also no doubt that, however great their efforts and achievements, the educational assessment to which most would subscribe has to be "needs to do better"; apart from a general concern to improve basic standards, current policies for the curriculum, qualifications and training require in many cases a greater range and degree of differentiation of pupils' and students' programmes than can everywhere be made accessible. The needs of individuals and the country now urgently require that means and mechanisms be found to improve this accessibility and to recognise the necessary degrees of match and change. Throughout the system there has been for some years a rash of deficiencies which affect schools, NAFE and AFE (in decreasing order of severity). Time will correct some of the deficiencies but pupils and students depend on what is offered in the present, and the morale and repute of LEAs and their institutions and staffs are related to what they can do now. The most urgent need is for clearer understanding of how to deal, educationally and financially, with specific problems, as and before they arise.

At present it is difficult enough for educational policies, national, local or institutional, to be seen and developed as a whole in educational terms, and, in too many cases, financial mechanisms at least (and in some cases finance tout court) aggravate the problem. This year's report shows that the pace of deterioration in provision has at least been slowed and this is therefore a good moment to increase efforts to tackle this problem of specificity.

There is much to be done to make good the basic range of provision, and even more to meet necessary changes in population of pupils and students and the many new tasks already formulated or yet to be perceived.

July 1983

22 NO



CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

15 July 1983

DF

15/7

Dear Imogen

EDUCATION SUPPORT GRANTS

The Chancellor of the Duchy of Lancaster has seen your Secretary of State's letter of 13 July to the Lord President and is in agreement with what he proposes.

Lord Cockfield has commented that, if primary legislation is needed to increase the limits, it would be a mistake to set them too low - provided always that the limit is not allowed to degenerate into an entitlement.

I am copying this letter to the Private Secretaries to the Prime Minister and other members of H Committee and to Richard Hatfield.

yours

Sebastian Birch

SEBASTIAN BIRCH

Mrs Imogen Wilde
Private Secretary to
The Secretary of State for
Education and Science
Department of Education and Science
Elizabeth House
York Road
London SE1

Education Policy PR3



STILL 100%

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

✓ CC NO

②

Prime Minister

MLW 13/7

13 July 1983

Dear Willie,

ms

EDUCATION SUPPORT GRANTS

H Committee approved in principle on 31 January (H(83)2nd Meeting) my proposal that legislation should be introduced to enable me to pay specific grants to local education authorities in support of particular items of expenditure. I was invited to set in hand the preparation of the necessary legislation, to consult the local authority associations about the proposals and, in the light of those consultations, to pursue certain detailed aspects of the proposals with colleagues.

The Queen's Speech promised the Bill in this Session. Drafting is well advanced and there should be no difficulty about its introduction as soon as Parliament reassembles in the autumn.

I have now completed my consultations with the local authority associations. They remain opposed in principle to any extension of specific grants as an erosion of local authority discretion, an issue which may be raised in the Consultative Council on Local Government Finance on 25 July. But, having made that clear, they discussed our proposals with me in a constructive way.

The purpose of this letter is to seek your agreement and that of colleagues on two matters which remain to be settled - the proportion of expenditure to be eligible for the new grants and the rate of grant itself.

/Proportion

The Rt Hon Viscount Whitelaw CH MC
 Lord President of the Council
 68 Whitehall
 LONDON SW1A 2AT

Proportion

I proposed to H Committee that the proportion of the planned level of local authority expenditure on education to be supported by educational support grants (ESGs) should be limited to 0.5% ie about £50m. Leon Brittan and Tom King argued then that the legislation should specify a lower limit than this; and the consultative document, enclosed with my letter of 8 March, referred to a limit of less than 0.5%. But ESGs may well be necessary for some of the educational initiatives of national importance in our Manifesto, as well as those mentioned in the consultative document; and I am strongly of the opinion that the legislation should refer to a maximum figure of 0.5%, even though in 1985-86, the first year in which it would operate, I would not expect to reach this limit. I do not think that this figure would be seriously challenged in Parliament.

There is a further point about the limit. At the end of last year we launched the technical and vocational education initiative (TVEI), with grants from the Manpower Services Commission (MSC) to local authorities starting in 1983-84. More recently we have decided to increase the scale of TVEI so as to bring in additional authorities in 1984-85. The total of the MSC's grants, which are planned to last five years, are due to reach £30m a year by 1985-86. Norman Tebbit and I expect that this Department would in due course take over responsibility for the grants. I think, therefore, that the Bill should empower the Secretary of State to increase the proportion from an initial figure of 0.5% to an upper limit of 1.0%, subject to approval of the House by affirmative resolution. I would propose to make it clear on second reading that the main reason for seeking this power was to provide for the possibility of the TVEI being taken over later on by this Department. Further primary legislation would however be necessary to increase the proportion above 1%.

The local authority associations considered that there was a strong case for my ultimately assuming responsibility for the TVEI and did not on that account object to the proposition that an increase in the proportion of educational expenditure supported by ESGs might be justified. Their main concern (and mine) is that the resources for TVEI should be transferred simultaneously to the education programme.

Rate of Grant

My original proposal was that the rate of grant should be 75% of the approved expenditure, as under the urban programme and Section 11 of the Local Government Act 1966. Because of concern expressed by one or two colleagues, my consultative paper referred to a maximum rate of 70%. The local authority associations believe that there is a strong case for 75% and see little merit in small variations in grant rates: some of their members even argued that the rate should never be less than 75% and might even be more. My conclusion is that the legislation ought to provide for a maximum rate of grant of 75%.

/Conclusion

Conclusion

I therefore propose that the Bill should specify that:

- a. the maximum proportion of the planned level of expenditure on education to be supported by ESGs should be 0.5%, with a proviso that
- b. the limit could be increased to 1.0%, subject to affirmative resolution; and
- c. the maximum rate of grant payable on approved expenditure should be 75%.

I am copying this letter to the Prime Minister, other members of H Committee and Sir Robert Armstrong. It would be helpful if colleagues would let me know by 22 July if they are content with my proposals so that the drafting of the Bill can be completed.

G. ...

Kear

Educ Policy Pt 3

1981 JUL 2





DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

6 July 1983

John Peter,

PUBLIC EXPENDITURE SURVEY 1983

The Department's contribution to the PESC Report, which is now with the Treasury, includes substantial additional bids both in 1984-85 and in later years. My colleagues here and I have probed in detail, in the course of several meetings, the figures originally submitted to us by officials; and we have made significant reductions in them. I believe that, in their reduced form, the bids are necessary to sustain the policies in our Manifesto. You will be aware of some of the background from my letters of 20 June to Patrick Jenkin about local authority current expenditure and of 21 June to you about capital expenditure; but I should like you and others to have a fuller explanation.

2. The table in the Annex compares the actual and planned movement in expenditure in cost terms set out in the last Public Expenditure White Paper Cmnd 8789, the baseline for the Survey, with the movement in pupil and student numbers over two successive four year periods.

3. The first line in the Table shows that in the four years from 1978-79 expenditure on education and science fell in cost terms by 1 per cent and the weighted average of pupil and home student numbers by 2 per cent. The rise in unit costs in primary and secondary schools, largely due to diseconomies of falling rolls, was partly offset by the fall in further and higher education, including student grants, which reflected economies of scale and tighter staffing ratios as student numbers (and productivity) increased in those two sectors. It was this which

/enabled

The Rt Hon Peter Rees QC MP
Chief Secretary
Treasury
Parliament Street
LONDON SW1P 3AG

enabled us to point in the Manifesto to better pupil teacher ratios, higher spending per pupil in real terms and more students in higher education. The second line of the Table presents a very different prospect for the four years from 1982-83. The Survey baseline provides for an 11 per cent reduction in expenditure in cost terms while the weighted average of pupil and student numbers falls by only 5 per cent. Within the total of pupils and students, the demand from those aged 16-19 for non-advanced further education will show a sharp increase (partly as a result of the bleak prospects for employment in these age-groups) which we ought to meet on political and educational grounds alike. Without additional resources average unit costs would fall by some 6 per cent over the period. This would mean a sharp fall in standards of provision at all levels: there would be a severe deterioration in pupil-teacher ratios and less access to post-compulsory education, where student-staff ratios, which we already plan to squeeze sharply, would deteriorate even further.

4. This general picture, which I do not believe we can accept, is the result of a number of different factors. First, the baseline for education does not include any part of the unallocated margin for local authority current expenditure - whereas of course a significant part of this margin is intended for education. A substantial element of the additional resources that I am seeking for 1984-85 thus results from the way in which we plan and is not actually a bid for extra cash for local authorities.

5. There are two other factors which between them account for most of the rest of my proposals on local authority current expenditure. Pay settlements in 1983 averaged 5 per cent instead of the 3½ per cent which we assumed - partly with an eye to influencing pay negotiations - in our expenditure plans. This means that the baseline for 1984-85 represents a 1½ per cent reduction in cost terms compared with those plans. Moreover, cost increases generally in 1984 and later years are now expected, on the basis of the GDP deflator, to be rather higher than those assumed in the baseline. And cost increases of a special kind - an increase in contributions to teachers' pensions as a result of the Government Actuary's quinquennial review, on which we shall shortly have a detailed report - will almost certainly add about £100m a year to local authority expenditure from April 1984. The figures already allow for teacher numbers to fall half as fast again as in 1982-83, and I judge that we cannot go even faster to offset these cost increases without serious dislocation and educational damage.

6. For this part of the education programme, our plans to cap the rates in selected areas and to abolish or reform some of the larger local authorities will help in 1985-86 and beyond. But for 1984-85, as I said in my letter of 20 June to Patrick Jenkin, our position will be unrealistic without a substantial increase in our present cash plans for local authorities, accompanied by an RSG settlement which will bear severely on the over-spenders and help those other authorities, especially the shire counties,

/which

which have co-operated with us. Patrick referred to this general issue towards the end of his letter of 28 June to you about local authority capital expenditure (on which I commented in my letter of 1 July). I agree with what he says there about current expenditure; and I would only add that what we decide about 1984-85 must take account of the needs of individual local services as well as our plans for the total. That is why I believe that those of us concerned with those services must discuss the issues very soon.

7. On Vote expenditure, which accounts for only a quarter of my programme, my main concerns are to maintain and improve the quality of our scientific research, especially in areas of economic importance, and of the universities. Some extra resources are also needed to meet exceptional cost increases outside the control of the institutions concerned. I am not seeking more money for student support except for the bid that is formally required to transfer to my programme the agreed savings on social security resulting from larger student numbers. I consider that any alleviation in the parental contribution will have to be financed by a reduction in the level of the grant itself, even though this has not kept pace with the cost of living.

8. Finally, the baseline for capital expenditure on education contains no increase in cash over the whole period up to 1986-87. The stock of school and college buildings has deteriorated sharply in the last few years and we need extra investment both to remedy this and to enable authorities to re-organise their schools in response to falling rolls. This extra investment now would make it possible later both to cut current expenditure and to improve the educational return for the money spent.

9. The performance of the education service is patchy, and we are pledged to improve it. This certainly cannot be done by money alone but the cuts per child at school implicit in our baseline would make it impossible to maintain even present standards. But I am intensely aware of the fiscal problems created by the cost of the service. We should not only go on looking for savings and for productivity increases, but also consider whether the costs of post-school education can be reduced by transferring part of them to the consumer. One element in this approach could be student loans, to which I am sure we shall have to return, for educational as well as for financial reasons. We must, in preparation for the time when demand for higher education begins to fall in the second half of the 1980s, look afresh now at the scope then for closing and amalgamating institutions, especially in the local authority sector where the weakest of them are to be found. In addition we ought to consider whether more income can be raised by charging fees in this sector or raising those that now exist, but the obstacles are real. I am considering how studies in this area might best be launched.

10. I am sending copies of this letter to the Prime Minister, Nigel Lawson, Jim Prior, George Younger, Nicholas Edwards and Patrick Jenkin.

*Yours ever,
Ken*

ANNEX

EDUCATION AND SCIENCE

	(1) Expenditure in cost terms	(2) Primary Nos	(3) Secondary Nos	(4) NAFE Nos	(5) HE Nos	(6) Weighted average (2)-(5)
With 1978-79=100						
1982-83	99	83	94	112	113	98
With 1982-83=100						
1986-87	89	96	87	106	102	95

Sources

Col (1) 1978-79 - 1985-86 Chief Secretary's Written Answer, 17 March. 1986-87 assumes 3 per cent increase in cash on 1985-86, 4½ per cent increase in costs.

Col (2)-(5) 1978-79 - 1982-83 Actuals
1986-87 Tables 1 and 2 of draft chapter for 1983 Survey.

Col (6) Nos in Cols (2)-(5) weighted by numbers and unit costs in each sector.



GENERAL ELECTION 1983
Finchley Constituency

Polling Day 9th. June 1983

Agent: Andrew Thomson
Campaign Headquarters:
212 Ballards Lane, Finchley N.3. 2LX

Conservative Candidate:
Margaret Thatcher



7 June 1983

Dear Mr. Hennessy,

Thank you for your letter of the 27 May. I am happy to state my opinion on the four matters you raise.

1. Funding for the university sector in general and those institutions in the London area

After decades of expansion, there has been scope for the elimination of waste and the more effective use of resources both in universities and in polytechnics and colleges. Given this fact, and the general need to contain public spending, the Government decided in 1981 that, (in addition to removing indiscriminate subsidies for overseas students), spending on higher education over both sectors should be reduced by about 8½% in real terms over three years. The University Grants Committee - a body composed largely of independent academics - has made use of this contraction to increase the proportion of science and engineering and encourage the pruning of overlapping courses.

But the period of contraction is now nearing the end. In 1983/84, we are spending £2.75 billion on higher education; and the intention is to hold the level steady in real terms after 1984/85. The Government is also making £100 million available over three years to create 700 new posts for outstanding young academics, as well as 130 new jobs in information technology; this will serve to protect the standards of our universities in years to come.

These general observations apply as much to London as to other areas. The reorganisation of the University of London has provided a remarkable example of the way in which the Government's policies are bringing about a more effective use of resources. The University has also received a considerable share of the newly created academic posts. The Colleges of the University, in their new form, can look forward to a thoroughly healthy future.

.....



GENERAL ELECTION 1983
Finchley Constituency

Polling Day 9th. June 1983

Agent: Andrew Thomson
Campaign Headquarters:
212 Ballards Lane, Finchley N.3. 2LX

Conservative Candidate:
Margaret Thatcher



-2-

2. Increasing access to university courses for those living in the London area and, in particular, those groups traditionally under-represented in the student body

One of the main tasks of the universities in London, as elsewhere, is to carry out research: it is therefore important to ensure that university staff do not bear too great a load of teaching. Recognizing this, the Government has taken action to ensure that the contraction in the numbers of academics has been matched by a comparable contraction in student numbers. It has not been necessary to do the same in the public sector, because public sector institutions, including polytechnic are primarily devoted to teaching rather than to research. Indeed, there has been scope for slightly increasing the teaching load of polytechnic and other public sector lecturers, thereby ensuring an increase in the total numbers of students gaining access to higher education. This increase has given opportunities to many young people who are members of groups that have not in the past been well represented in institutions of higher education.

3. The provision of places for all those qualified and desiring a place in higher education

We do not believe that the Universities or public sector institutions should be compelled to accept students who have the minimum qualification of 2 'A' levels; and without such compulsion, it cannot be guaranteed that every student possessing these qualifications will find a place in higher education. But 81 per cent of those qualified now find places; and there are over 550,000 students in higher education, as compared with 510,000 in 1979.

4. What is your policy on the provision of student loans?

The Conservative Party has at present no plans to replace any

.....



GENERAL ELECTION 1983
Finchley Constituency

Polling Day 9th. June 1983

Agent: Andrew Thomson
Campaign Headquarters:
212 Ballards Lane, Finchley N.3. 2LX

Conservative Candidate:
Margaret Thatcher



- 3 -

part of the student grant for first degree course by a loan.

I hope that these answers will be of interest to your members.

Yours sincerely
Margaret Thatcher

W F Hennessy Esq
Regional Official
Association of University Teachers

2.10 Education and Science

Table 2.10

£ million cash

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83 ⁽¹⁾	1983-84 ⁽²⁾	1984-85 ⁽²⁾	1985-86 ⁽²⁾
Department of Education and Science									
Education									
10.1 Schools									
Under fives									
Capital									
Current	7	13	10	9	10	10	11	10	
Primary, secondary and other	128	146	177	222	241	258	254	260	
Capital									
Primary	323	276	313	376	300	254	229	220	
Current									
Secondary	1,369	1,506	1,706	2,086	2,258	2,400	2,371	2,430	
Current									
Special schools	1,817	2,057	2,354	2,952	3,306	3,590	3,625	3,730	7,930
Current									
Other (supporting services, and fees at non-maintained schools)	187	214	249	309	345	377	368	380	
Current									
Transport	124	119	130	150	166	172	177	190	
Meals ⁽³⁾	99	117	136	160	174	198	202	210	
Milk ⁽³⁾	352	376	409	391	391	400	266	260	
10.2 Higher and further education (including teacher training) ⁽⁴⁾	12	12	12	6	6	7	7	10	
Universities									
Capital									
Non-University sector	75	82	106	115	120	120	120	120	
Capital									
Universities	63	61	78	109	90	82	74	70	
Current									
Voluntary and direct grant	574	644	779	1,005	1,036	1,253	1,320		
Current									
Maintained sector advanced	51	51	61	79	82	95	97	2,850	4,150
Current									
Student awards	295	322	370	444	487	547	560		
Maintained sector non-advanced (except adult education)	472	541	629	771	891	762	769		
Current									
Adult	449	495	581	713	813	892	877	890	
10.4 Miscellaneous educational services, research and administration	45	53	63	69	73	81	65	70	
Youth service									
Capital									
Current	4	6	8	8	5	7	7	10	
Research and other services	48	53	65	78	88	92	87	90	
Capital									
Current	4	5	7	14	4	4	4		
Administration	33	34	41	47	56	57	59	60	700
Capital									
Current	251	277	322	396	436	490	491	510	
Total education									
Capital	476	442	522	631	529	477	446	450	460
Current	6,305	7,017	8,085	9,877	10,849	11,670	11,597	11,920	12,310
Total education	6,781	7,459	8,607	10,508	11,378	12,147	12,043	12,370	12,780
Science									
10.5 Research councils, etc									
Capital									
Current	36	50	64	72	68	75	81	90	90
Total science	258	296	339	393	450	481	517	540	560
Total education and science									
Capital	512	492	586	702	597	551	527	530	550
Current	6,528	7,263	8,361	10,198	11,231	12,076	12,033	12,380	12,790
Total programme	7,039	7,755	8,946	10,901	11,828	12,628	12,560	12,910	13,340

(1) The 1982-83 figures incorporate a provisional distribution by sector of total current spending by local authorities on education based on their budgets.

(2) From 1 April 1983 Departments will repay PSA for accommodation and certain other services, under the new Property Repayment Service (see chapter 2.14). Prior to that date the relevant expenditure is comprised within programme 14.

(3) The figures for school meals and milk exclude EC subsidy in respect of milk and milk-based products which was transferred in Cmnd 8494 to Programme 3 (Intervention Board for Agricultural Produce) to reflect adoption by the Board during 1981 of responsibility for administering the subsidy. Expenditure on school meals and milk including the EC subsidy is:

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
Meals:	352.4	378.7	414.6	397.9	397.7	407.8	274.9	270
Milk:	14.0	20.9	22.0	12.3	12.2	13.2	15.2	20

(4) The change in the trend of higher education and student awards figures between 1981-82 and 1982-83 reflects the reduction in tuition fees described in Cmnd 8494.



PA

MCS.
29/4

10 DOWNING STREET

(1)

Prime Minister

Robin Nicholson advised you to
intervene against the Treasury
on the £5m SERC overshoot.

But there are arguments in the
opposite direction not mentioned
by Dr Nicholson - see the attached
note to the Chancellor: particularly

- (i) SERC + DES. want a
one-way option on exchange rates
- (ii) Rayner has suggested savings
- (iii) Sterling has recovered since the
£5m calculation

Agree not to intervene but to
PTO

leave the Chief Secretary
and Sir Keith to fight it
out?

Yes
no

MCS 18/4



From: M J C FAULKNER

Date: 18 APRIL 1983

→ CHANCELLOR OF THE EXCHEQUER

cc: Chief Secretary
 Principal Private Secretary
 Financial Secretary
 Economic Secretary
 Minister of State (C)
 Minister of State (R)
 Mr Middleton
 Sir A Rawlinson
 Mr Bailey
 Mr Wilding
 Miss Kelley
 Mr Mountfield
 Mr Lovell
 Mrs Thoms
 Mr C J Bailey

Mr Beastall
 Mr I P Wilson

SCIENCE AND ENGINEERING COUNCIL (SERC): INTERNATIONAL SUBSCRIPTIONS

with MCS?

In his letter of 15 April, Sir Keith Joseph says that, because of the fall in sterling, SERC's bill for international subscriptions to CERN, etc in 1983-84 is likely to be £5.3 million higher than the estimates provision. He proposes that SERC be asked to find £2 million from their own resources. He is not hopeful of finding windfall savings elsewhere in his programme. To the extent that he does not, he proposes a claim on the Contingency Reserve. He also suggests a working party of officials to study the position for future years. He wants our answer in time for tomorrow's SERC Council meeting at which decisions must be taken on any redeployment of their budget.

x

2. I understand that the Chief Secretary remains opposed to making any concession to SERC. That is the line taken in the draft reply annexed.

Background

3. International subscriptions account for nearly a fifth of SERC's budget (£48 million out of £254 million this year). For years they have argued that this expenditure should be excluded from their cash limit. We have resisted on the grounds that:-

- a) exchange rate fluctuations are not different in kind from other pay and price changes - even if

they are less predictable than most. They should be accommodated within cash limits.

- b) SERC's is not the only programme with commitments in foreign currencies which cannot be changed in the short term if the pound falls. MOD, for example, are in no position to redeploy BAOR, or cancel long-term contracts with foreign suppliers. But - with one exception - all programmes with a substantial non-sterling component are subject to cash limits. The exception is an FCO vote consisting largely of international subscriptions. But in practice FCO have always borne any excesses due to currency movements elsewhere in their programme.
- c) if they want more certainty in their budgeting SERC can buy their currency forward rather than on the spot market (though we would not allow them to mix the two for any one type of transaction). SERC have so far resisted on the grounds that, other things being equal, it would cost them more: the majority of their requirements are in Swiss francs for which (because Swiss interest rates are well below ours) there is at present a substantial forward premium. We would argue however that the cost would be worth it - if SERC's budgetary problems arising from currency uncertainties are really as bad as they claim.

4. SERC are saying that a £5 million increase in their subscriptions bill is more than they can reasonably be asked to bear. Much of their spending is tied up in three-year research grants and in committed research projects in their own institutions; they can exercise some influence over the budgets of the international organisations to which they contribute but are bound to them by treaty obligations offering only

only occasional opportunities to breakaway. They claim that to find £5 million this year they would have to:-

- (a) increase the rejection rate of alpha-quality research grant applications from 30 per cent to 45 per cent (saving £2 million);
- (b) reduce new studentships by 300 or 10 per cent (saving £1.3 million);
- (c) cut £2 million in indirect support for university research programmes and capital work.

5. Of these savings, only (c) is regarded by Sir Keith as acceptable. The others would inter alia affect, or offset, his initiatives on IT and 'new blood' in the universities.

Assessment

6. These cuts would certainly be an embarrassment to Sir Keith, frustrating to some extent his intentions in giving a larger slice of the science budget to SERC this year and giving his many critics in the university and science world extra ammunition. But it is not clear that they are the only cuts that could be made. For example:-

- a) the current Rayner review of R and D support services in Research Councils suggests possible reductions in SERC of £0.5 million current and £2.8 million capital;
- b) SERC managed somehow to absorb £1.5 million of extra subscription costs in 1982-83 when we refused a winter supplementary. They are prudent enough managers to have significant sums stored away for contingencies;
- c) Sir Keith could spread the misery around the other

Research Councils - though he says he has considered and rejected that course, and it is true that much the same 'constituency' would suffer from any cut back of research activity. Note that £5 million is under 1 per cent of the total Science budget.

7. Nor can we be sure that the excess will be £5.3 million or anything like it. Sterling has recovered since that calculation was made. At today's prices the shortfall would be less than £4 million.

8. There are dangers in admitting calls on the Contingency Reserve this early. I attach a copy of the covering minute Sir Anthony Rawlinson put up with my earlier submission to the Chief Secretary on this subject.

Conclusion

9. The facts of the situation are no different (except in that sterling has risen) from what they were when the Chief Secretary concluded that no concession should be offered.

10. For shortage of time this submission has not been cleared with GEP. But it is consistent with an earlier submission which they agreed.

Mf

M J C Faulkner

DRAFT LETTER:

TO: SIR KEITH JOSEPH

from CST-

SERC INTERNATIONAL SUBSCRIPTIONS

~~Thank you for your letter of 15 April~~ *In your letter of 15 April to Geoffrey Howe, who is at a Council of Ministers meeting in Luxembourg today, you asked for a response before the SERC meeting tomorrow.*

2. The SERC clearly faces difficult options in its efforts to meet the potential shortfall on its international subscriptions subhead. The choices will have been eased by the recent improvement in sterling which has, as I understand it, reduced the shortfall to less than £4 million. But even so, I can see they remain painful.

3. You are best placed to judge whether the implications of the cuts go further than this and are, in fact, politically unacceptable. If they are, then in my view the answer is not to give the SERC a commitment that any money which you or they cannot find will be provided from the Reserve. Exchange rate fluctuations are not different in kind from any other price increase, and agreeing to a bid from SERC now would open the floodgates to bids from other parts of the public sector, all equally hard-pressed.

4. Rather, I believe that SERC should be urged to look again at the other 98 per cent of their budget. I would also urge you to look ^{again} for offsetting savings in the other Research Councils. The current review of R and D Support Services might provide at least one source of useful savings either in SERC or more generally. But in any case, I have difficulty in accepting that a sum of money amounting to less than one per cent of the total Science budget cannot be found without serious damage at this stage in the financial year.

5. You also asked for a report by officials on the general problem of international subscriptions. I know that our officials have already discussed this, but if you now see some potential means of alleviating the problem which is consistent with the discipline of cash limits and would not create difficult precedents, by all means let us ask them to discuss it further.

6. I am copying this letter to the Prime Minister, Francis Pym, Patrick Jenkin, Robert Armstrong and Robin Nicholson.

From: Sir A Rawlinson
Date: 30 March 1983

CHI SECRETARY

cc Mr Bailey
Mr Wilding
Miss Kelley
Mr Mountfield
Mr Judd
Mr Beastall
Mr I P Wilson
Mr C J Bailey
Mr Faulkner
Mrs Thoms

SCIENCE AND ENGINEERING COUNCIL: INTERNATIONAL SUBSCRIPTIONS:
CONTINGENCY RESERVE

Mr Faulkner's minute of 30 March below discusses the difficulty caused to the SERC by the fall in the exchange rate and resulting increased sterling cost of their foreign currency subscriptions.

2. The amount involved is uncertain. Payments are spread over the year. Their sterling cost depends on future as well as past movements of the exchange rate. But the problem is genuine enough.
3. The submission suggests allowing a call on the Contingency Reserve for any excess over £2m. If they receive no help, the Council will complain. You are likely to receive representations from Sir Keith Joseph.
4. The main argument is that if the Council have to find the money from within their present budget, they will forego precisely those additional expenditures on new technology for which it was decided in the last Survey to add to their budget.
5. Unless you find this argument compelling, as I do not, my recommendation is against admitting a call on the Contingency Reserve. If DES decide and are still able to change the allocation of funds between research councils, we need raise no objection. But there should be no net addition to the programme now.
6. If the exchange rate continues low, we must expect more bids for the Reserve on this account, some perhaps in the end to be conceded. But we should not start giving it away already, especially in a case where the cost can be absorbed, albeit at the expense of things in themselves worthy of support.



A K RAWLINSON

11 8 APR 1983

12 11 22 3
4 5 6 7 8 9 10



Prime Minister

W.0263

Agree to X and Y?

PRIME MINISTER

MCS 15/4

SCIENCE BUDGET 1983-84

1. The letter from the Secretary of State for Education and Science to the Chancellor dated 15 April draws attention to an awkward problem which has arisen through the proper application of cash limits to the grant from the 1983-84 Science Budget to the Science and Engineering Research Council.
2. Because of adverse exchange rate movements since estimates were prepared, the foreign currency liabilities of SERC have increased by £5.3 m for liabilities under international treaties (eg CERN) which cannot be cancelled at short notice.
3. The discipline of cash limits requires that corresponding savings are found elsewhere in SERC's budget and in the current financial year, most of the savings have to come from cutting university research grants and studentships. Because these are generally made for a 3-year period with only about 15 per cent of the cash spent in the year the award is made, the cut in grants has to be at a rate of about six times the required saving. Thus the problem is much worse than the figure of £5.3 m implies.
4. Changes in exchange rate have occurred in previous years and over the last 10 years favourable and adverse swings have caused a net swing close to zero. However the Treasury rules on carry-over have prevented SERC using this factor to balance short-term changes in their liabilities.
5. The Secretary of State for Education and Science is absolutely right in fearing a public outcry on this matter and I must advise you that the adverse effect on the Government's position with respect to science and technology is likely to be out of all proportion to the relatively small sum of money involved.

6. International collaboration in science is cost-effective in several fields and enlightened management of our Research Councils is likely to lead to participation in further international facilities in the future. Therefore it is essential that the rather sloppy handling of the effects of exchange rate movements is tidied up and a procedure established within cash limits which will avoid the problem in the future.

7. My recommendation is that you support the Secretary of State's proposal to bail out SERC this year on the grounds that a strong adverse public reaction is not worth incurring for the sake of saving £3.3 m. But this problem must not be allowed to recur so the Working Group of officials from Treasury, DES and the Research Councils must find a permanent solution. Since this is an inter-Departmental science item, you may wish to consider whether I should chair the Working Group and report to you on its outcome.

X
/y

2453

A permanent solution will include re-organising when the exchange rate goes with us. I suspect this matter will go wider than the 3 desks because exchange rate effects

RBN

ROBIN B NICHOLSON
Chief Scientist

Cabinet Office
15 April 1983

cc: Sir Robert Armstrong
Mr J Sparrow

to the Treasury 7.0
From the viewpoint of the science budget, it agrees of course - pulling very much into science research. I think it should be found with the help of the Treasury.
RBN

Ms. A. 1. 1. 1. 1. 1.

Ms. A. 1. 1. 1. 1. 1.

Ms. A. 1. 1. 1. 1. 1.

Ms. A. 1. 1. 1. 1. 1.

Ms. A. 1. 1. 1. 1. 1.

APR 19 1983

Ms. A. 1. 1. 1. 1. 1.



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

15 April 1983

Dear Geoffrey,

SCIENCE AND ENGINEERING RESEARCH COUNCIL (SERC): INTERNATIONAL SUBSCRIPTIONS

1. Because of movements in the exchange rate since the Estimates were drawn up the SERC are faced with having to find several £m extra in 1983-84 to meet their unavoidable commitments to international scientific collaboration - notably to CERN, ESA, the Institut Laue-Langevin, and to NATO. The only practicable way to do this is to cut uncommitted research grants to universities, postgraduate studentships (again mainly tenable at universities), and work at SERC establishments (which provide services and underpinning for university research). Because such cuts will do disproportionate damage and occasion great concern in the science community and more widely, I am writing to seek your approval to my giving SERC an undertaking that will, for now, moderate the impact on university research and give us all a little time to find ways of adjusting to this and related problems in the longer term. Your officials are well briefed about the problem from discussion with DES and SERC, and have put the matter to Leon; it is because he has felt unable to help - and because of the likely public outcry if we do nothing - that I now raise the matter with you.

2. As of 7 April (the date when Council papers were completed for their meeting on 19 April) SERC would have to make savings of £5.3m this year. On 19 April they must take the necessary decisions and implement them straightaway thereafter. Because of the pattern of uncommitted money, the cuts will probably fall something like this

/(i) New research

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
LONDON SW1P 3AG

- (i) New research grants - £2m
- (ii) New studentships - £1.3m
- (iii) SERC establishments - £2m

Such cuts would reduce IT research for the Alvey programme (by about £1m) and would also fall heavily on other engineering and on "little" science (biology, chemistry, mathematics and "little" physics). The rejection rate for alpha-quality research grant applications from universities to the Science Board would be further increased from its present unprecedented level of about 30% (which I regard as unpalatably high) to about 45%. Each year about 3,300 new studentships need to be awarded to maintain the stock of trainee highly qualified manpower; that number would have to be cut by over 300 or some 10%. The cut in Establishments expenditure would fall on indirect support for university research programmes already approved and on capital work.

3. Thus the impact will be felt mainly by the universities - who are in the throes of adjusting to the UGC reductions; and will be found mainly at the expense of engineering and "little" science (much of "big" science money being tied up in international ventures). Our IT initiative cannot be exempted; and our "new blood" recruitment programme, although not directly jeopardised, would be affected via the reduction in new research grants. In public relations terms, the contrast with our policy of protecting the Science Vote, and with our "new blood" and IT initiatives (which have done much to hearten the science community) could hardly be more stark.

4. I have carefully considered whether savings of this order could be made elsewhere within the Science Vote, or on our other Vote expenditure. As to the former the effects would be essentially the same - cutting research grants and studentships. It would widen the discontent without reducing the damage to university research. In my other Vote expenditure there are no areas where I could now with confidence secure such savings, windfall or other. You will recall the recognition, in our recent discussions on the implications of the "ordinary residence" judgement, of the pressure under which I find myself in respect of the whole DES Budget.

5. I think it is in all our interests to give SERC sufficient assurance in time for their 19 April meeting as to enable them to avoid taking in full such damaging and contentious steps just now. My particular concern is to prevent the direct consequences for university research and postgraduate training. Clearly SERC should not wholly escape facing up to the consequences of their international commitments. What I propose is that I should tell them, before their 19 April meeting, that they should find the necessary savings to the fullest possible extent that can be achieved on their expenditure on indirect support for the universities; I judge this to be about £2m. But, if more than this is required - with adverse effects on research grants and studentships - then, except to the extent that any windfall savings came to light elsewhere in the SERC

Vote, they should be bailed out. For my part, I would undertake to redeploy for this purpose any windfall savings which might appear elsewhere in the Science Budget. Failing this I would look elsewhere in my Vote expenditure or, as a last resort, make a claim on the Contingency Reserve.

6. In making this proposal I of course recognise that on three occasions in the last ten years SERC have benefited, to the tune of something in excess of £10m, from favourable exchange movements; and that in the six years when the movement was adverse they were "rescued" either by being allowed to vire from their domestic subhead or by Supplementary Estimate. I must add that I understand that they have always been prepared to forgo exchange rate surpluses (retaining them only after consulting the Treasury and with the latter's agreement); that they have given up some £3m to the Treasury; and that, in the nature of things, the windfall benefits had to be used in the year in question and could not be applied to sustain any recurring expenditure or to hedge against unfavourable movements in the exchange rate.

7. What I propose would get us by for 1983-84. But other problems loom over international subscriptions in later years and it seems to me that your officials and mine, with those of the Councils affected, should prepare a report for further consideration by us all. I hope you would agree to this; and I should be grateful for your urgent approval to what I propose for 1983-84.

8. I am copying this letter to the Prime Minister, Francis Pym, Patrick Jenkin, Leon Brittan, Robert Armstrong and Robin Nicholson.

Even.

Kear

11 3 APR 1960

11 12 1 2 3
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10 DOWNING STREET

THE PRIME MINISTER

31 March 1983

Dear Lady Cox.

Thank you for your letter of 16 March.

I share your concern about the situation at the Polytechnic of North London; so does Keith Joseph as you know. He has made his view plain to the CNAA (to whom Miss Jeffery addressed her complaint); they intend to mount an enquiry.

On the question of student unions, I agree that we have seen recently a number of disturbing examples of political activity. However, I am afraid that student unions cannot accurately be described, in the normal sense of the term, as closed shops. They are integral parts of their parent institutions and their constitutional position is defined in Articles of Government - or of Association in the case of London polytechnics - and the rules made under them. Under these Articles the ILEA cannot be prevented from earmarking sums in aid of union functions, and Keith has very little power to intervene. Indeed his predecessor's announcement of the new funding system (which did not incidentally require legislation) acknowledged that it could be appropriate for local authorities to be concerned in the question of allocation. He is, however, currently considering whether it is open to him to write to the authorities of the Polytechnic of North London pointing out that, although they do not control the funding of their students' union, they have a responsibility under the Articles of Association to ensure that the monies made available to it are spent in ways consistent with its charitable status.

/ The

CF file

cc DES
DITSS

JA

Education

5

The use made by students' unions, however, of the public funds allocated to them has been the subject of a number of complaints, all of which are carefully investigated. Keith is in fact currently pursuing a complaint by the Federation of Conservative Students about the activities of the students' union at Bradford University which could give rise to further advice being given to institutions generally on the conflict between certain activities of students' unions and their charitable status. Not all unions have such status, although those of the London Polytechnics do. I realise that some of the public money made available goes on sabbatical officers with the consequences in many cases which you describe. I know that Keith is considering the options.

I am glad to be kept in touch with the progress of the NCEA's research on examination results. I know that Keith Joseph and Rhodes Boyson look forward to seeing what the Council's report has to say.

Finally, I was most interested to read your comments on our consultation document on the proposed review body for nurses, midwives and professions allied to medicine. You have rightly raised some very important issues in relation to our proposals, but I am sure you will understand if I do not enter into a discussion whilst they are out for consultation. Nevertheless I will ensure that Norman Fowler receives a copy of your note and is therefore able to take it into account when considering the outcome of the consultation process.

Kind regards,

Yours sincerely

Raymond D. White

The Baroness Cox

PUBLIC EXPENDITURE PLANS

Public expenditure on schools is planned to increase from about £5bn in 1979-80 to more than £7½bn in 1985-86. During the same period pupil numbers will fall by about 15%.

EXPENDITURE PER PUPIL

Local authorities' expenditure per pupil in primary schools and in secondary schools was at record levels in 1981-82, and the indications are that the trend has continued in 1982-83.

PUPIL-TEACHER RATIOS

The pupil teacher ratio has improved each year since the Government took office, is now at its lowest ever level.

POOR SCHOOLS

The Government's public expenditure plans refer to the education service in England as a whole. Expenditure in individual schools is the responsibility of the local authority concerned.

'MORE CHILDREN, FEWER SCHOOLS'

The number of pupils of compulsory school age peaked in 1977. Since then it has been falling and will continue to fall for the rest of the decade. Fewer school places will be needed. This will not always involve the closure of entire schools. But whatever the means, there can be substantial educational as well as financial benefits from taking surplus accommodation out of use. It cannot be right that authorities should devote scarce resources to the upkeep of places which are surplus to requirements.

LOCAL AUTHORITIES' COSTS

The level of service which local authorities can afford will depend crucially upon their ability to contain costs generally, including in particular pay settlements.

BACKGROUND NOTES

Expenditure per pupil (£)

	England and Wales				England	
	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
Primary (a) cash	296	323	367	429	547	619
(b) Nov 1981 prices	551	560	581	601	600	618
Secondary						
(a) cash	443	478	534	612	771	868
(b) Nov 1981 prices	826	828	845	856	862	868

The Government's Public Expenditure Plans (Cmnd 8789)

Table 2.10

£ million cash

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83 ⁽¹⁾	1983-84 ⁽²⁾	1984-85 ⁽²⁾	1985-86 ⁽²⁾
Department of Education and Science									
Education									
10.1 Schools									
Under fives									
Capital	7	13	10	9	10	10	11	10	
Current	128	146	177	222	241	258	254	260	
Primary, secondary and other									
Capital	323	276	313	376	300	254	229	220	
Primary									
Current	1,369	1,506	1,706	2,086	2,258	2,400	2,371	2,430	
Secondary									
Current	1,817	2,057	2,354	2,952	3,306	3,590	3,625	3,730	7,930
Special schools									
Current	187	214	249	309	345	377	368	380	
Other (supporting services, and fees at non-maintained schools)									
Current	124	119	130	150	166	172	177	190	
Transport	99	117	136	160	174	198	202	210	
Meals ⁽³⁾	352	376	409	391	391	400	266	260	
Milk ⁽³⁾	12	12	12	6	6	7	7	10	

Pupil Numbers

Academic Year	Actual			Provisional		Projected			
	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
England									
Total school population (including special schools)	8666	8562	8397	8185	7973	7726	7510	7351	7227
Pupil numbers:									
Under fives	415	429	429	428	437	430	420	420	420
All other primary	4275	4138	3980	3797	3619	3432	3317	3275	3290
Secondary									
Under school leaving age	3577	3589	3573	3530	3457	3403	3318	3206	3075
Over school leaving age	275	283	293	310	341	345	341	336	332
Total (excluding special schools)	8542	8439	8275	8065	7854	7610	7396	7239	7117
School participation rates per cent									
Under fives	34.4	37.3	39.0	40.2	40.4	37.7	35.2	35.0	36.2
Over school leaving age	19.3	19.2	19.4	20.1	21.9	22.4	22.4	22.5	22.6
Teachers: numbers employed (f.t.e)	436	441	438	429	420	411	up to 400	390-	380-
Pupil, teacher ratios overall	19.4	18.9	18.7	18.6	18.5	18.3	18.2	18.0-	18.2-
								18.3	18.4
Special schools									
Pupils	124	123	122	120	119	116	114	112	110
Teachers	17	17	18	17	18	18	17	17	17

LEARNING IN THE SARDINE CAN

HEADMASTER David Pritchard rings the Victorian bell and 270 boisterous boys and girls leave the wetness of the playground to squeeze into their school. It was built for 100 children.

Alphington School, on the outskirts of Exeter, in Devon, has been dubbed the "sardine can." I'm here for a lesson in learning in that cramped can.

David, 38, says: "We may be falling over each other and the buildings may be in shambles but we try to keep up standards. We're proud of our school."

He leads me across the school yard and flings open a heavy door. A class of youngsters are at work in a washroom.

It has been raining, so rows of soaking-wet coats hang on pegs.

A monotonous drip-drip-drip from the taps on half-a-dozen miniature wash basins along one wall accompanies two girls being coached in their reading by a part-time teacher.

Elsewhere, in the crowded corridor, children slap paint on pictures or put together imaginative models from kits.

"This," says David, "is what we call a multi-purpose area."

Obvious educational jargon used in official reports for a cover-up

EXETER

that children are being taught in corridors and washrooms.

David says: "This is our worst example of overcrowding. We have to use the space, there's nowhere else left."

The architecture of the main school—built in 1876—is what David calls "cottage-style."

The red-brick front, tall Gothic windows and steep roof is a pretty facade that hides the clutter of prefabs, sheds, huts and makeshift buildings.

David says: "Six of our ten classrooms were put up as temporary structures but they've become permanent."

Alphington is one of

200 Devon schools built before the turn of the century. Like the village of Alphington, it has been swallowed up by Exeter City's suburban sprawl.

"Unlike many schools our roll is going up, I'll have 280 pupils next year," says David.

He's been in charge for five years and is full of praise for his eleven staff who manage against all the odds.

He would break the law by not providing children with morning prayers. He would also break the fire and health laws if he squeezed too many children into the main hall.

David says: "We hold staggered assemblies because I can't put more than 120 kids in the main hall

Hygiene is also a problem. Across the yard David points out the crude, unheated, loos.

He flings open another classroom door. "Look at this little lot," he says. "They're still optimistic about the world. It's all in front of them."

David's hopes are pinned on a new school—but will it materialise?

"We're told building could start in 1985. They've got a site, not far from here.

"They've even costed the new school—about £688,000. Doesn't sound a lot, does it?"

What happens, if the new school is not provided?

"We are professionals paid to cope with the situation," says David. "But it is difficult keeping up the morale of the staff and parents."

GEOFFREY LAKEMAN

SCANDALOUS NEGLECT

WHEN a roof caved in at St Stephen's school, Bradford, little Ann Marie Hanson (pictured on the Front Page) escaped without injury.

But Ann Marie and the 150-year-old school are both victims of the neglect of education in Bradford.

"It's scandalous. Schools are inadequate, old and under-supplied," said John Lambert, Labour's education spokesman in the city.

There is a £20 million backlog of repairs in schools like St Stephen's and the cut-back on education spending this year is £3 million.

Sid Matthews, a teacher in Bradford for twelve years, says: "My classroom has been leaking for as long as I can remember.

"There are schools still open in this city which were condemned fifty years ago. "The equip-

BRADFORD

ment is clapped out and so are the buildings, there are more temporary huts than schools.

"This winter the heating packed up and the temperature in my classroom was 40 Fahrenheit."

One headmaster begged the council to help. He wrote: "The days of one pupil for one book are a distant dream."

One teacher started an O-level course without one book for the thirty pupils.

Another class had eight spelling books for a class of thirty.

They can't do their sums in Bradford. No investment in education means there will be no profit in the pupils' future.

STEPHEN WHITE

ARSON!

The growing menace

PETERLEE

ending last October, 25 of the 34 school fires were the work of young arsonists.

Earlier this year the 1,200-pupil Shotton Hall comprehensive school in Peterlee, Co. Durham, was ravaged by fire.

A small blaze, believed to have started in the headmaster's office, was whipped up by gale-force winds into a massive £1½ million blaze and reduced the school to the ruin (left).

Now three teenagers have been charged in connection with the fire and committed for trial at the Crown Court.

JOHN GILBERT

ARSON has become one of the most destructive—and most feared—aspects of juvenile crime.

Teenage and young fire-raisers are now causing damage of £40 million a year.

And the reason, according to forensic psychologist Dr. Masud Hoghugh, who is the head of a school for problem children, is that our schools are failing to meet the needs of many bottom of the class kids.

When their boredom and a blank future become too much to bear they fight back with fire, he says. In 1980 there were 15 major school fires. Last year there were 22.

And it has been calculated that over a 12-month period

NO CHANCE FOR SARAH

DAILY MIRROR

SARAH BLEWITT could become a world class ballerina.

A former member of the Royal Ballet thinks she has the talent and potential to go right to the top.

But 11-year-old Sarah lives in Dudley, in the Midlands, which is run by a Tory council. And those who control the education purse strings have said No to the grant Sarah needs to take up the place she has been offered at a professional ballet school in Chester.

The education committee has never given a grant for ballet and hasn't the resources to allow it the luxury of changing its mind, says a spokesman.

It also believes if it gave Sarah the cash then every parent of every half-talented dancing child in the district would try to clamber on the bandwagon.

Sarah needs £3,500 a year for four years—a total of £14,000.

Now that the Daily Mirror has spoken to Dudley council, Sarah's parents will formally appeal against the decision and their daughter will dance in front of the Council of Dance Education and Training—the toughest judges in the country.

Should they be as impres-

DUDLEY

sed with Sarah as her teachers they will urge Dudley to change its mind.

Sarah's parents—hairdresser Paul, 37, and Pat, 34—would pay for her tuition themselves, if they could afford it.

But Paul is currently in hospital and Pat can't work for a year after having two major operations in the last twelve months.

Perfect

"We obviously couldn't find anything like the money needed to pay for the school fees," says Pat.

"But even before we knew that a grant was a possibility Sarah was saying 'mum please let me go, let me try.'"

Sarah's present teacher, former member of the Royal Ballet, Olga Gwynn has no doubt about her talents.

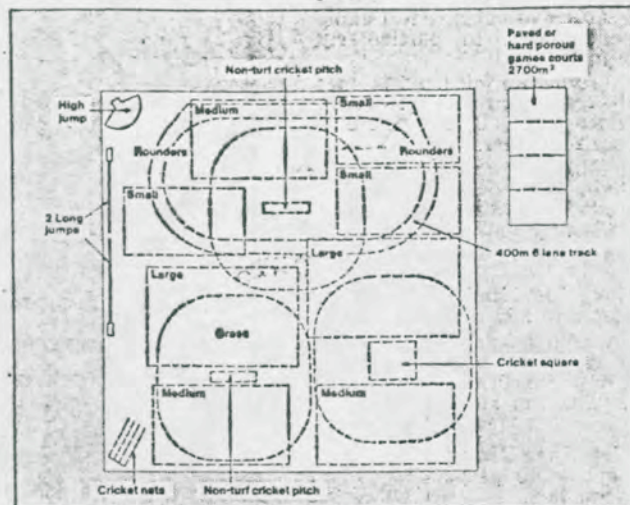
"She really is just one girl in a thousand" says Olga. "Sarah has a perfect neck, face and spine."

Says Sarah: "I would like just to dance. Nothing else."

"Whatever else happens I just don't see myself working in a shop."

DOUGLAS BENICE

MacFARLANE'S MAD MAZE...



THIS is the sports field they call Macfarlane's mad maze.

It's the brain child of Sports Minister Neil Macfarlane and a statistical example of how to cram 1,200 pupils into 12 acres.

But teachers say it's impossible, unworkable and dangerous.

Now the Education Department, and the Government are using plans like the one above to justify selling off thousands of acres of school sports fields.

Central Council of Physical Recreation general secretary Peter Lawson says: "They're talking nonsense."

"This plan is either an architect's blueprint for Hampton Court Maze or a

map of Spaghetti Junction.

"When you have kids throwing things around you need SPACE or you are going to have an accident or an injury."

"Bureaucrats who know nothing about sport are drawing up regulations which are incomprehensible and impractical."

"It may be that some schools no longer need all their land."

"But we could scrap Wembley and Wimbledon's Centre Court if we used the same argument that they were under-used."

"Thousands of acres of playing fields will be lost to the nation forever if the Government has its way."

SCROUNGING FOR BOOKS

SCHOOL staff and children are patching up old text books and making do with others better suited to the bonfire.

Yet, in a publishers' warehouse, school books are piling up in their thousands, waiting to be sold. There just isn't enough money to buy all the books schools need.

And, with the spending cuts, things are getting worse. Many publishers who once specialised in text books have got out into other, more lucrative, areas.

Chris Lloyd, sales manager of the Dorset-based Blandford Press, which once had a large educational books department, said: "We have suffered a terrible cutback. We just don't publish as many school books as we did five years ago."

"A few years ago we had a mountain of unsold school books that we had to dump into the bargain book market. It was easy to see this coming when Mrs Thatcher's Government came to power. Libraries and schools just haven't got the money..."

So children, like those at St. Peter's Church of England School at Farnham, Surrey, make do with worn and out-of-date books.

Headmaster Roger Ellis said: "Staff and parents are constantly repairing books. We are turning ourselves into scroungers and having to adjust our activities around the materials available."

Meanwhile, some of the country's biggest publishers find school books stockpiling in their warehouses.

Roger Watson, managing director of Longman's School Division in Harlow, Essex, admitted: "Our stocks are higher than we would like them to be. Schools just haven't got the money..."

BARRY WIGMORE

● THE staunch Tory parents of Bournemouth have a battle on their hands.

They are fighting to save State-run Beaufort School and its acres of playing fields.

Now the school is under threat and the angry parents are convinced the main reason Beaufort is for the chop is the sports fields.

They say Dorset County Council wants to sell the land for £550,000 so that houses can be built there.

The trouble is that by 1987 Bournemouth will have too many schools for its dwindling population.

One of them has to go.

The council's own chief education officer Roy Price was in no doubt about which school should close.

He recommended another boys' school with no playing fields.

But the county council decided Beaufort must go.

Now the Beaufort parents plan to ask Education Minister Dr. Rhodes Boyson to overrule the council.

Merthyr

THERE'S a grim merger of past and present in the Welsh town of Merthyr Tydfil where a school shares the ground floor of a crumbling mansion with a museum and art gallery.

Cyfartha Lower Comprehensive School is, in the words of a local councillor, a clapped out scandal.

Yet it's a home for 300 schoolchildren still being taught in the towered and turreted mock castle built nearly 160 years ago.

Bridgwater

RACHEL COLLINS was about to take her third grade cello exam when Somerset education authority sacked its 12 instrumental teachers in a bid to cut costs.

And 13-year-old Rachel, who lives in Bridgwater, was forced to give up her music after two years of lessons.

She is just one of hundreds of children throughout the country who have been forced to give up playing musical instruments because of education cutbacks.

Carlisle

TEENAGE unemployment is making John Tho job as Head of a comprehensive school Carlisle daily more difficult.

A worrying number of pupils are taking look at the dole and deciding there is point in working school-leaving exams.

"There is no doubt it is having an effect on their attitudes, particularly of those who achieved least."

Of the 150 school leavers seeking employment last year, only 37 got he says.

by BARRY WIGMORE

TEACHING is no longer a pleasure for Mike Wickles—it's a guerilla war.

Mike 29, has spent five years at the sharp end of his profession as a part-time "supply teacher."

They are the people called in when regular teachers go sick. And in the jungle of London's schools Mike has never been short of work.

He has spent his career working in some of the roughest schools in London where the stress and strain of the job often causes teachers to take time off.

Mike said: "I really became aware of how chronic teacher truancy is.

"It's a bit like fighting a guerilla war... and the kids are winning."

Mike has worked in eight schools over the past five years. The worst, he says, was in North London.

"There just seemed to be a total breakdown in teaching.

"The headmaster told me they had no special rules, the object was to avoid confrontation and jolly them along."

While he was there the deputy head, who was usually called in to sort out trouble, was attacked and had to go to hospital.

It is not only the schools in "tough" areas that have problems, however.

Mike told of an incident at one trendy London school—when two boys were attacked by other



WICKLES: In the wars

pupils wielding razor-sharp Stanley knives. Knife attacks in playgrounds happen much more frequently than the authorities admit, he said.

Mike said: "There are some very violent kids in school—almost psychopathic.

"It isn't like Grange Hill. This is really serious, dangerous. Some of the children are lethal."

MORE and more teachers are cracking up under the strain of heavy work loads.

Many have nervous breakdowns because they simply cannot cope with the burden of extra work and longer hours thrust upon them by the Government's spending cuts.

Many middle-aged teachers are also queening to take early retirement.

A spokesman for the National Union of Teachers said: "In some areas it is a stampede."

by FRANK PALMER

DENZIL UNDERWOOD runs the sort of comprehensive the system's critics love to knock—huge (2,200 pupils and 133 staff) and on two sites a mile-and-a-half apart.

It has no corporal punishment, no rigid uniform rules.

He operates like a chief executive with a time-table covering 20ft by 4ft on a deputy's wall. It has different coloured buttons for subject, teacher and room. "Yes," he agrees, "it does look like the signal box at King's Cross."

After school prayers ("I'm a practising Christian"), the first problem.

A senior master reports two girls truanting the previous day. "Send them home and ask their parents to call," he says.

With attendances averaging 97.6 per cent, absences at Wolfreton School, outside Hull, are easily spotted and parents always informed.

Then on to the headmaster's study in the upper school. Inside is a cabinet for the trophies his pupils have won, including one for computer sciences.

At 58, Mr. Underwood goes back to night school once a week for computer studies. One of his own staff teaches him.

"I have to keep up with these whizz kids. Then they can't blind me with science. I reckon I'm heading for a CSE—Grade 2."

Mr Underwood goes on his rounds. No one stands up. "I put a stop to it when I arrived four years ago. It just interrupts work."

Corridor walls are

GETTING IT RIGHT!

HULL

covered with paintings and murals, many based on current studies. "It's probably against regulations, but still"—he shrugs—"they get fed up with bare walls."

He notes a girl with dangling ear rings, which are banned for safety, but does nothing. "We'll point it out privately. Why embarrass her?"

Then he spots a youth with his arm round a girl on a bench in the quad

and quietly asks him to remove it.

"He is a boy who has left but cannot get a job, poor sod." That is the nearest he comes to swearing all day.

"You don't know where public displays of affection will lead to. Or am I being too pernickety?" He is genuinely concerned that he may have mis-handled it.

After lunch he inspects the handiwork of three 16-year-old boys who will leave at Easter without taking any exams.

All have opted out of lessons—"no point" they say, so he has set them on

repairing broken seats in a changing room.

"They are good with their hands and there's nothing in the curriculum for them. That's our fault, and we'll try to put it right next year."

After a two-hour break at home, he's back that evening to meet first-year parents. "It's time-consuming having concerned parents—but it's great," he says.

"I love coming to this school. The sound of the children gives me a warm feeling."

Three hours later he drives home. A 13-hour day is over.

'More children, fewer schools'

THE number of schools dropped by 395 between 1971 and 1981. In the same ten years, the number of pupils rose by 1,013,000. Secondary schools dropped from 4,984 to 4,654, secondary pupils went up from 2,953,000 to 3,840,000. Primary schools fell from 21,083 to 21,018. Pupils rose from 254,000 to 380,000.

IN the last Labour government's final year, £500 million more was spent on education than on defence. By 1985 the present Government plans to spend £4,000 million less on education than on defence.

SCRIPTWRITER Phil Redmond, who created Grange Hill school for BBC TV, is an old boy of St Kevin's comprehensive in Kirkby, Liverpool. He is half way to becoming a millionaire and says he would buy private education for his own children if there "wasn't a good State school around." Headmaster Ken Masters reckons the Grange Hill staff would not stand a chance at St. Kev's.

BETWEEN 1971 and 1981 the number of pupils taking O-levels increased by only 2 per cent—from 38.5 per cent to 40.5 per cent. And those sitting A-levels increased by just 3 per cent.

PRIVATE education is thriving despite fees which range from £1,500-£4,000 plus a year. In 1976 there were 414,756 pupils at fee-paying schools. By last year the number had risen to 522,377.

ACCORDING to a Mori poll commissioned by the independent schools three out of five people support the Government scheme to pay the fees of bright children whose parents cannot afford a private education.

CHARLES LYTE

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MIZROTT
3-3-83

EVERY day, some 100,000 children in Britain are truants. That's enough to fill fifty of our biggest comprehensive schools. A growing number are fifteen-year-olds in their last year at school. Some are "unteachable" who don't want to learn. But many are intelligent pupils who see no future and ask: "What's the use?"

DAILY MIRROR
THE TRUANT

SHOCK ISSUE

HE was sitting on a wooden bench watching the Mersey tide go out and wondering whether to go back to school that afternoon.

He had idled away the morning by tramping through Liverpool's St. John's shopping precinct and down to windy Pier Head.

But now it was getting cold and somehow double Physics seemed more appealing than truancy.

The weather forecast has had more influence on sixteen-year-old Peter Nugent's classroom career—or lack of it—than any teacher.

"They got it wrong this morning. I always listen. You don't want it cold if you're going to take the day off school."

Peter is one of Britain's 100,000 or so truants. Not one of the down-and-out, glue-sniffing skinhead types, but a boy who feels his school has dumped him.

Fading

At eleven, he shone brightly enough in primary school to win a £40-a-year scholarship to the famed but fading Liverpool Institute High School for Boys.

In a letter congratulating Peter's parents, the school told them: "The purpose of the scholarship is to pick out at the age of eleven boys who, by reason of their ability, their character and their parents' ambition and support, are likely to proceed in due course to universities."

Loafing round Liverpool, Peter and his education are clearly not proceeding anywhere.

"I started playing truant in the third year. I was hardly ever in for the whole of the year. You took three weeks off and went back for one, else the attendance officers collared you.

"That year I just wandered round town. Me mam and dad were divorced and I lived with me dad. He went to work. He never knew I wasn't at school.

"I went to live with



PETER: He skips school if the weather is fine. Picture: CHARLES OWENS

LIVERPOOL

by ALISTER MARTIN

me mam for the fourth year and I got going back to school. But the teachers didn't want to know. They said I'd blown it.

"One, the geography teacher, said he was going to drop me. Well, I felt pleased when I got through me mock O-level in geography.

"But it shouldn't be like that, getting on to spite the teachers instead of to please them."

Peter is studying for O-levels in five subjects, English Language, Physics, Maths, Biology and Geography, and for two CSEs, in Chemistry and English Literature.

"Although I'm sagging school, I'm getting me revision done. I'm pretty confident I'll pass me exams. If I don't I'll have to stay here another year. Don't want that, do I?"

In the five years that Peter has been, as he puts it, "kicked around" by the Institute, the school itself has been a political football.

The city council is split three ways between Labour, Liberals and Conservatives, with no party strong enough to take firm control.

Every May, after local government elections, a shift in the balance of

power brings a new plan for the future of the 158-year-old Institute. It is never acted on before the next election.

Twice the school has been under sentence of death from the Labour councillors, to be repealed by the Liberals.

Because of the uncertainty the council refused to appoint a full-time headmaster. Peter has known five "acting" heads.

The fourth, 59-year-old Maurice Devereux, resigned last month on the day Government schools inspectors were ordered to begin an emergency inquiry into poor exam results and discipline.

Decline

Mike Storey, the current Liberal chairman of the education committee, accepts the authority's share of responsibility for the decline of the school.

He says: "Although I don't condone truanting I must say that if I were a bright young lad trying to get on at the Institute I would be frustrated. I would probably be sagging."

In his last word on Peter, former head Maurice Devereux wrote in a school report before he resigned: "He should be achieving more."

So, feels Peter, should the Liverpool Institute and City Council.

A GOOD education is not only right for every child. It is a necessity. The nation's future depends upon it.

But millions of British children today do not get the education they need. The state of our schools is vividly set out in the pages of this Daily Mirror.

Of course, there is another side to it. There are many good schools. Many good teachers. Many children benefiting from the right kind of education.



But they are the lucky ones. They thrive not because of the Government's policy but despite it.

For far too many, the story is of overcrowded schools, buildings condemned years ago in which children are taught in the corridors and the washrooms.

There are too few textbooks. Classrooms which let in the rain. Violence. Truancy. Teachers unable to cope.

The poorest areas, which need better, suffer worse.

Future

Equality of opportunity, for them, is a slogan and not a reality.

Education is becoming narrow. Playing fields are sold off to property developers. Pupils with a talent for the arts are denied the skilled teaching they need.

Meanwhile, the Government tinkers with plans to subsidise the well-off who send their children to private schools.

Education is not a charity, a welfare benefit for the needy. It is the foundation of the future. The best long-term investment we can make.

And we are not making it. The obsession with saving money has become an obsession at any price.

By cutting our costs today, we are cutting our own throats tomorrow.

Page 14

file

W

MR GOW

I attach briefing from DES on computers in schools.
The essential points are the following:-

- (i) over the six years till 31 March, 1986 the Government will be spending £40 million on computers in schools. About half each between the DES (the software) and the DOE (the hardware).

- (ii) the Micros in Schools Programme has now ensured that virtually all the secondary schools in the country (about 6,400) now have a micro computer. The similar scheme for primary schools under which DOI contribute 50% of the cost of either of two British-made micros is now well under way and the response is very encouraging.

- (iii) we have also launched a programme of training teachers in micros; about 11,000 will be trained this year and a similar number next year.

T. FLESHER

23 March, 1983

Eduwals



10 DOWNING STREET

1. Mr. ~~Flesher~~
2. Mr. ~~Scholar~~
3. File

17 March 1983

MR BUTLER

EDUCATION DISCUSSION: CHEQUERS, SUNDAY 13 MARCH 1983

cc EDUCATION:
with Parental
Choice: Nov 82.

Present: Prime Minister
Baroness Cox
Sir Keith Joseph
Mr Biffen

Mr Parkinson
Mr Waldegrave
Mr Mount

and
EDUCATION:
Student-loans:
March 81

1. Student Loans

A revised approach to the original paper was discussed. Mr Biffen felt that the first aim must be to keep the question alive in a way which could carry us through the General Election, and this would only be politically possible on the lines now suggested by Mr Waldegrave - namely, that only the parental contribution should be considered relevant to the loan scheme. Sir Keith pointed out that parents who wished to continue to pay the parental contribution could, of course, do so; but that the essential point was that less well-off students would not be discouraged from seeking access to higher education. The disadvantage was, of course, that we were substituting an initial and sizeable Exchequer contribution for the parental contribution, and that in the short-term this would add to public expenditure. It was pointed out that the banks now offered considerable overdraft facilities to students who were in financial embarrassment, and it was worth discussion with them how far a loan scheme could be carried out through their agency. However, it was agreed that, subject to consultations with the Treasury, this was the best route for keeping the principle alive. (Sir Keith's letter to the Chancellor of the Exchequer of 16 March gives effect to the conclusions in this discussion.)

2. Polytechnics

Lady Cox said that the situation in the North London Polytechnic was just as bad as it had been when she had written "The Rape of Reason". The case of Marian Jeffrey which she had drawn to the attention of the Prime Minister and Sir Keith was only the symptom of a Marxist saturation of the Sociology Department. North London was not the only Polytechnic where this kind of process had taken place. It was usually confined to the Sociology and allied departments, and did not generally infect other faculties such as Law and Engineering.

The difficulty was that the Sociology section of the CNAA was itself under Marxist domination and was therefore validating courses which ought not to be validated. Sir Keith and Mr Waldegrave suggested that the inspectors were the people to pick up this kind of corrosion of academic standards, but it was admitted that the difficulty was to find impartial sociologists of sufficient weight and courage to carry out investigations of this sort, and report without fear or favour. However, they were very conscious of the difficulties and would certainly see what the DES could do to help.

3. Education Vouchers

There was a brief discussion of progress on education vouchers and Sir Keith said that his group was working on proposals which would be brought back to Ministers as soon as they were ready.

F.M.

11 March 1983

Policy Unit

PRIME MINISTER

THE FINANCING OF EDUCATION

Transferring some major part of local government expenditure on education to the Exchequer is the only way of making a major reduction in that expenditure. If we do not make a transfer, Tom King points out that we should not be able to offer an initial reduction of rates by April 1985. Without this, we should have to rely on control alone and so be forced to choose between (a) a simple control system (eg a 5% ceiling on increases in your rate bill) which would be open to repeated legal challenge all over the country; and (b) a more complex control system based on an equitable formula as between one authority and another, which would not have the same effect on every individual's rate bill and so would inflame rather than dispel public dislike of the rating system.

I believe it is a vital first step in reducing the size of local government expenditure that we should transfer some sizeable slice of the education bill to the Exchequer. Otherwise the problem will never become manageable. Keith Joseph considers four options.

(i) Transfer school teachers' pay to central Government

Keith rejects this because he fears that it would require him to consider each local authority's complement of teachers and so draw him into conflict and heap the blame for unpopular decisions on central Government. These fears seem exaggerated. The existing complement would be taken as the datum line and extra demands for teachers could be assessed against explicit criteria (such as growth of population, or shortfall of maths teachers). You could even introduce a national pupil-teacher ratio to settle arguments about fairness. In any case, potential extra blame accruing to the Government would be offset by the clear responsibilities which the local authority could then have for everything (building, textbooks, etc) except teachers' pay.

The idea of a national pupil-teacher ratio is not so daring or novel when you consider that the DES spends a lot of time and effort in trying to achieve some rough equality between the schools expenditure of different local authorities. Moreover,

with some such rule of thumb, any increase in DES staff could be held to a minimum.

(ii) Transfer all local authority expenditure on education

This would be far too centralist and would be highly unpopular in a way that the transfer of teachers' pay would not be.

(iii) Introduce an education block grant

This would merely increase Government responsibility for finding the money while still leaving local authorities essentially free to fix their own levels of expenditure, the worst of all worlds, particularly in Wales, as Nick Edwards points out in paragraph 13. Tom King also rejects the idea of an education block grant.

(iv) Introduce a radical voucher scheme

If we could agree on such a scheme, this would be the cleanest and fairest solution. Every local education authority would receive a cheque for £X per pupil and there would be no arguments.

The difficulty on vouchers is principally one of synchronising. If we were to start an E(LF) scheme by 1985, would a radical scheme be ready to start alongside?

The transitional problem

The idea of transferring education expenditure to the Exchequer was rejected by MISC 79, largely because of the transitional problem: how do you prevent local authorities from simply spending the money on something else?

There would have to be RSG penalties for those who failed to reduce their rates pro rata. ILEA, as the only education authority out of grant, would have to have its expenditure controlled.

We suggest that DES should be invited to produce a paper on how the transfer of teachers' pay to the Exchequer could be managed.



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P.0984

PRIME MINISTER

The Financing of Education:

E(LF)(83)4 and 5

BACKGROUND

A At their last meeting (E(LF)(83)1st Meeting) the Sub-Committee decided that the most promising way of preventing rates from increasing beyond their present level was to redefine the respective responsibilities of central and local government. They accordingly commissioned further work on a scheme with the following main features:

- (a) transfer financial responsibility for teachers salaries from local to central government;
- (b) require local authorities to reduce their rate calls correspondingly;
- (c) restrict rate increases from this reduced base by some appropriate formula;
- (d) in the longer term, introduce a local tax on expenditure;
- (e) (probably) continued central control over local authority expenditure or the maximum level of local taxation.

2. Items (b) to (e) are under study by officials. But Item (a) is of fundamental importance: until it is confirmed or replaced, the detailed work by officials rests on a shaky foundation. The Secretary of State for Education and Science, in consultation with the other Ministers concerned, was accordingly invited to circulate a paper to the Sub-Committee: E(LF)(83)4 is his response.

B 3. E(LF)(83)4 considers four possibilities:

- (i) transfer school teachers pay to central government;
- (ii) transfer all or most local authority expenditure on education to central government;



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- (iii) introduce a separate block grant for education at a high rate;
- (iv) introduce a radical voucher scheme for schools, thus transferring most schools' costs to central government.

Since consideration of education vouchers is taking place elsewhere the memorandum concentrates on the other options. It argues that the first two options would entail excessive involvement by central government in education, and that the third option should therefore be chosen. In more detail, there should be a new education block grant, including mechanisms to encourage local authorities to bring their education expenditure into line with the Government's assessment of need. If paid at 75 per cent of planned expenditure it would allow rates to be reduced by an average of one quarter. The broad lines correspond to those of the proposal considered and rejected by the Ministerial Group on Local Government Organisation Finance (MISC 79) (MISC 79(82)5; MISC 79(82)3rd Meeting).

D
E 4. The memorandum by the Secretary of State for the Environment (E(LF)(83)5) argues that the proposals in E(LF)(83)4 do not achieve the aim set by the Sub-Committee. In his view, they do not redefine the responsibilities of central and local government: they merely increase the proportion of Exchequer financing of local expenditure; and that can be done better by increasing the rate support grant (RSG) percentage.

F 5. Finally, the Chief Secretary, Treasury has circulated a memorandum (E(LF)(83)6) giving illustrative examples of the increases in central taxation needed to replace part of the local rates, or the growth in them. The figures are relevant background to the whole of the Sub-Committee's work, and not only the present issues.

MAIN ISSUES

6. The Sub-Committee is not being asked to take final decisions, but to establish the basis for further work. You will probably wish at this stage to leave on one side an approach based on education vouchers; since a radical approach has now been ruled out, any changes on that front are not likely to make a major change in local authority expenditure. The main issues before the Sub-Committee are therefore:

- (i) should one of the first three options in E(LF)(83)4 be adopted?

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(ii) alternatively, would an increase in the RSG percentage, probably coupled with a system of central control of local authority current expenditure, be preferable?

(iii) if none of these approaches is satisfactory, is there a better one?

Objectives

7. You will wish to keep in the foreground of the Sub-Committee's discussion the question 'What is the object of the exercise?' As E(LF)(83)5 brings out, the options fall into two distinct categories.

Category 1:

Options (i) and (ii) in E(LF)(83)4 transfer responsibility for a large element of local authority current expenditure to central government. Central government then itself controls the size of that element. Central government may also wish to control the remaining elements of local authority expenditure in order to ensure that total public expenditure does not increase. But the control problem is likely to be smaller than it is now because the total of expenditure for which local authorities are responsible is smaller.

Category 2:

Option (iii), like a simple increase in the RSG percentage, leaves responsibilities unchanged but increases the Exchequer contribution to local authority expenditure. The problems of controlling local authority expenditure are therefore likely to be greater than now. Moreover, option (iii), which introduces a new Exchequer grant, means that if central government wishes to control local authority expenditure it must devise two control systems, one for education, and one for other areas.

8. The educational arguments deployed in E(LF)(83)4 may also be relevant to the choice, as may such factors as relations between local and central government. But they are not the arguments which are immediately relevant to the present concerns of the Sub-Committee.

Transfer of responsibility for education expenditure

9. In considering the two options in this area you will wish the Sub-Committee to bear the following in mind.

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(a) Transferring responsibility for teachers' salaries would reduce local authority expenditure by an amount of the order of magnitude which the Sub-Committee thought appropriate at its last meeting. But to split responsibility for the costs of a service in this way would be almost certain to produce friction and inefficiency. As the Government has repeatedly pointed out, for example in the context of cash limits, there is a trade-off between labour and other costs; such trade-offs would be difficult to make if different authorities were responsible for labour and for other costs. Although it is not unknown for employers to link their pay rates to those set elsewhere, few if any accept that an outside body should be able to decide the pay, grading and numbers of their staff.

(b) Transferring the whole of education to central government would be more logical and efficient than splitting responsibility. It need not preclude local influence over decisions, as in the National Health Service. But it would entail a huge increase in the power of central government and a reduction in that of local government. This would raise political difficulties in itself. And it would call into question the future of the shire counties, since education is much the most important of their responsibilities.

Increase Exchequer Grants

10. In considering the two options in this area - introduce an education grant or increase RSG - you will wish the Sub-Committee to bear the following in mind.

(a) If an education grant was to lead to a reduction in the rates it would have to be paid at a higher percentage than the present RSG: E(LF)(83)4 suggests 75 per cent for England but the percentages would have to be even higher in Scotland and Wales. Except for reasons of education policy there is no reason why the Government should meet a higher proportion of education expenditure than other forms of local authority expenditure. And doing so would undoubtedly lead to pressures from other interest groups for equally generous grants towards the services with which they are concerned. The education policy objectives might be better met by more specific grants for particular purposes.

(b) As paragraph 9(iii) of E(LF)(83)4 brings out, one of the aims of an education grant would be to put pressure on low-spending authorities to increase



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their expenditure. It would therefore tend to increase the need to control local authority expenditure in order to avoid an increase in the total burden of rates and normal taxation.

(c) A particular problem is the ILEA, or whatever may replace it. The ILEA receives no RSG at present. It would be harder to defend a situation in which the largest education authority in the country received no education grant. If such a grant were conceded to ILEA, expenditure would be further increased.

As noted in paragraph 7 above, to introduce an education grant would require a double assessment and control system: one for education grant and one for RSG. The additional complexities would be great. The Sub-Committee may well take the view that the educational arguments need to be very strong to outweigh them.

11. The alternative approach of increasing RSG (and presumably strengthening central control over local authority expenditure) is undoubtedly the simplest of the options before the Sub-Committee. You will, however, wish the Sub-Committee to consider the following.

(d) It would be something of a reversal of past Government policy, which has reduced the RSG percentage. But this might be defended on the grounds that indirect influence through RSG and holdback has proved inadequate to prevent local authorities from unjustified increases in rates, and that the Government has therefore been forced to adopt a different approach.

(e) Ministers collectively have yet to be satisfied that a control system can be devised, even under the present RSG regime. This difficulty applies not only to the option of increasing the RSG percentage but also in a lesser degree to any of the other options which ease the financial burden on local authorities.

Possible alternatives

12. If the Sub-Committee do not favour any of the four options immediately before them, they may wish to consider whether it would be worth examining alternatives. It would not be productive to look for alternatives in the area of 'Category 2' (increased Exchequer grants), as the fundamental arguments will be unchanged. The only possibilities in 'Category 1' (transfer of responsibility) appear to be:



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local health and social services (expenditure of £2250 million in 1981-82 or 8 per cent of total revenue expenditure); or

police (expenditure of £2160 million in 1981-82 or 7 per cent of total revenue expenditure; but police expenditure already attracts specific grant (£970 million in 1981-82)).

National versus local taxation

13. E(LF)(83)6 illustrates the consequences for national taxes of holding down rates or increases in them. It provides useful background information for the Sub-Committee's work. But it is inherent in the Sub-Committee's present line in thinking that there will be some transfer from local to national taxation, at least in the short term: it is not likely to be feasible to control local authority expenditure tightly enough to avoid increases in rates without such a transfer. The question is how much loading on the national taxation is tolerable. Freezing rates at their 1983-84 levels would mean (assuming a 5 per cent a year increase in local authority expenditure in cash terms) extra national taxation of about £1.3 billion each year which is equivalent to 1½p on the basic rate or 2p on VAT. Is this tolerable? If not, would it be better to adopt a less ambitious objective of restraining the increase in rates in real terms eg an annual increase one or two per cent less than inflation.

HANDLING

14. You will wish the Secretary of State for Education and Science to introduce his memorandum, and the Secretary of State for the Environment to reply on the basis of his own. The Secretaries of State for Scotland and Wales could then be asked to comment from their dual standpoint as education and local government Ministers. The Chief Secretary, Treasury will no doubt wish to draw attention to the public expenditure implications.

CONCLUSIONS

15. You will wish the Sub-Committee to decide which of the following assumptions officials should take as the basis for their future work:

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- (a) transfer to central government of responsibility for school teachers' pay;
or
- (b) transfer to central government of responsibility for all local education
expenditure; or
- (c) introduction of an education block grant, probably at a rate of about
75 per cent in England; or
- (d) increase in RSG percentage, probably coupled with some form of direct
control of local authority current expenditure; or
- (e) some alternative.

16. You may also wish to Sub-Committee to give guidance to officials on how much
loading on to national taxation would be tolerable.

PL

P L GREGSON

11 March 1983

CONFIDENTIAL

SW4

Education Policy



Prime Minister ?

WA
11/3

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

FROM THE SECRETARY OF STATE

mt

T Flesher Esq
Private Secretary
10 Downing Street
London
SW1

10 March 1983

Dear Sir,

NEW SPECIFIC GRANTS FOR CERTAIN EDUCATION EXPENDITURE

I am writing to let you know that, following policy agreement from H Committee, my Secretary of State will be announcing on 14 March the government's intention to introduce an education support grants scheme. I enclose a copy of a draft Written Answer together with a copy of the consultation document in the form in which will be issued on 14 March. *(Monday)*

Yours ever

Inogen Wilde

MRS I WILDE
Private Secretary

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ANNEX C

EDUCATION SUPPORT GRANTS



Question

To ask the Secretary of State for Education and Science if he will make a statement about the payment of grants to local education authorities.

Answer (14 March)

The Government propose to introduce legislation, as soon as parliamentary time permits, empowering the Secretary of State for Education and Science to pay education support grants to local education authorities in England in support of expenditure on certain activities. I am consulting the local authority associations on the basis of the consultation paper below.

My Rt Hon Friend
The Secretary of State for Wales will be consulting the appropriate organisations on similar proposals for the Principality.

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A PROPOSED NEW POWER TO PAY EDUCATION SUPPORT GRANTS TO LOCAL EDUCATION AUTHORITIES
IN SUPPORT OF CERTAIN ITEMS OF EDUCATIONAL EXPENDITURE

1 The partnership of central and local government in the national policy of providing a varied and comprehensive educational service in every area is enshrined in legislation. It is the responsibility of local education authorities (LEAs), in the light of their statutory functions and the needs and circumstances within each area, to determine their level of expenditure on education and its broad deployment between different parts of the service. LEAs have long accepted that, in that determination, account is taken of the policies and priorities of the Government; but the ultimate determination is theirs.

2 In the interest of making this partnership serve more effectively the purpose for which it was established, the Government propose to introduce legislation empowering the Secretary of State for Education and Science to pay grants (education support grants) to LEAs in England in support of expenditure on certain activities. The Secretary of State would exercise this power in order to assist LEAs to innovate and respond swiftly to new demands on the education service; to promote qualitative changes and improvements in standards of provision in areas of particular importance; and to encourage them to redeploy their expenditure at the margin in accordance with objectives perceived to be of particular importance at the national level. In making this proposal the Government have taken into account the recommendation of the Education, Science and Arts Select Committee in its report on Secondary Curriculum and Examinations, that the DES should have the ability to fund direct such important new developments on a temporary basis as seem to it to be desirable.

3 The power would require primary legislation. It is proposed that the activities to be supported by the grants should be defined in regulations which would be subject to affirmative resolution. This would ensure appropriate Parliamentary consideration of each activity, and provide for a controlled yet rapid response to new needs.

4 The activities supported would be determined after consultation with the local authority associations, and would be expected to change over time with changes in the education service, in the economy and society. No activity would
/receive...

CONFIDENTIAL

receive permanent support through these grants, which would be payable beyond a five-year period only in exceptional circumstances. Grants for each particular class of activity would be made subject to appropriate criteria, and would probably not in practice be made to all LEAs. Examples of activities which might be supported by the grants are:

a curricular changes in mathematics following the report of the Cockcroft Committee;

b the development of a more practical slant to the final years of compulsory education for those pupils for whom examinations at 16-plus were not designed;

c the development of teaching programmes related to the proposed CPVE and other initiatives for the 16-19 age group;

d the extension to new areas of technically orientated and pre-vocational courses at various levels, building on the recently announced Technical and Vocational Education Initiative;

e the supply of microelectronic equipment to very seriously physically handicapped children.

5 The total grant for each year would be restricted to a small fraction of the Government's plans for total local authority expenditure on education. The intention is that the proportion supported by the grants should be less than half of one per cent - which in 1983-84 is £47m (0.5 per cent of £9,428m).

6 A maximum rate of 70 per cent would be provided for in the legislation. The total grant would be deducted from total Exchequer grant before the balance was distributed as rate support grants. (The same arrangement applies to grants made under the urban programme). The existence of these new grants would not affect directly the Government's plans for total local authority expenditure. However, the needs for which the grants could be applied would be taken into account by the Government in arriving at their planned level of expenditure on education in a particular year.

7 It is hoped to introduce legislation for education support grants as soon as Parliamentary time permits. The precise basis on which grants would be distributed will be determined after consultation, but it is envisaged that they would be allocated in response to bids by LEAs.

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EDUCATION



PA

10 DOWNING STREET

1

Prime Minister

It will help Terry Heiser
 enormously in the preparation of
his paper if the ground on
education could be cleared by
 a discussion of the attached paper
 on financing education - E(LF)(83)

Agree to a meeting of

E(LF) on this?

Yes
 No

MCS 3/3

Told Cab Office

Pine Murten

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Education

PRIME MINISTER

Last week I had the pleasure of a visit from Professor Dorothy Hodgkin. She is sad at the contraction that has been applied to universities though she accepts that there may have been Departments in which some pruning was justified. She wishes that we could rival other Western countries in our numbers in higher education but even here accepts that a much higher proportion of our students graduate than in most other Western societies: that our higher education has usually a higher entry standard than is required overseas: and that on comparable definitions our higher education participation rate is not much different from the countries she quotes.

It was enjoyable to meet her. She is impressive - but a little vague on the economic implications of what she would like to see.

14

1 March 1983

PRIME MINISTER

*Education Expenditure***Further Education Pupils (Financial Assistance)**

Q1. **Mr. Andrew F. Bennett** asked the Prime Minister what plans Her Majesty's Government have to increase financial assistance to pupils remaining at school after they are 16 years old.

The Prime Minister (Mrs. Margaret Thatcher): We have no such plans at present.

Mr. Bennett: Will the Prime Minister take this opportunity to congratulate all state schools on the excellent job that they do and dissuade her ministerial colleagues from continuing to attack them with policies such as the voucher scheme? Will she persuade her Ministers to put all their energies into extending opportunities of choice for 16-year-olds who would like to stay on in sixth forms but who do not have the financial opportunities to do so?

The Prime Minister: I am always congratulating those who are doing an excellent job and I am happy to respond to the hon. Gentleman's invitation. As to the Child Poverty Action Group, to which I believe the hon. Gentleman was referring its scheme would cost £500 million a year. Most of that would be spent on those who would stay on in education anyway. There has been a significant increase in recent years in the number of 16-year-olds who are staying on in education, which is very good news.

Mr. Peter Bottomley: Will my right hon. Friend consider examining whether the pattern of financial assistance for those of school-leaving age and above is what she believes to be rational? Will she come forward with proposals—preferably after she has had success at the next election—for a more rational scheme than the present one?

The Prime Minister: We have considered the scheme and the varying grants that are available across the board. It is not easy to make changes without introducing more anomalies. That is the problem.

Mr. Foot

Mr. Foot: Will the right hon. Lady be kind enough to confirm to us that it is a £2 billion scheme? We are gratified to learn that she is moving in the direction that we have been advocating. I hope that she will confirm the figure here and now. We shall certainly welcome it and show our usual generosity in doing so.

The Prime Minister: The amount has not been increased. The scheme will cost a great deal over a long period.

Engagements

Q2. Mr. Tom Clarke asked the Prime Minister if she will list her official engagements for Tuesday 22 February.

The Prime Minister: This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House I shall be having further meetings later today.

From the Brandt

Mr. Clarke: Is the Prime Minister aware that a number of countries are deserting monetarist policies? Will she accept that she, too, has a splendid opportunity to respond in that way by accepting the recommendations of the second report of the Brandt commission? Will she, therefore, offer hope to 4 million unemployed in this country and those in the developing world, who are suffering from starvation?

The Prime Minister: As the hon. Gentleman will know, if he has looked at the many communiqués from the economic summits, their top priority is to keep inflation down and to try to get interest rates down as a means of increasing employment in all our countries as well as making us competitive in goods we send to the developing countries. He will also know that the London Business School's recent studies concluded that reflation is little help on jobs and that it could result in putting up the numbers of people out of work as well as vastly putting up the level of inflation.

Sir Timothy Kitson: During the course of the day, will

PRIME MINISTER

H Committee

H Committee discussed two major subjects at its meeting on 31 January.

1. Specific grants for education

You will recall seeing the Education Secretary's paper proposing a new block grant amounting to perhaps 0.5% of overall education expenditure to enable him better to influence local authorities' spending decisions. H Committee approved these proposals in principle subject to negotiations about the level of the grant and the rate at which it should be paid to local authorities. Subject to those negotiations the Committee authorised the Secretary of State to begin preparations for the necessary legislation. As you pointed out in response to the previous paper however, all this is secondary to the resolution of the rates question. The timescale envisaged would mean however that Sir Keith's proposals could not be implemented for some considerable time.

2. Housing and Building Control Bill

You have seen Mr. King's paper proposing amendments to the Bill which were resisted by the business managers at H. I have passed on your views that the "right to repair" and the proposed powers against onerous restrictive ~~conventions~~ covenants should be incorporated in the Bill.

✓ Housing: Housing Policy Pt 4

PRIME MINISTER

*We must look
out the Recher
Chamber
fruit
not*

4

H Paper : Specific Grant for Education

The attached paper by Sir Keith Joseph for H proposes a new specific grant for education to influence LEA spending at the margin. Under Sir Keith's proposal it might amount to about half a per cent of education spending or £50 million for 1983/84; this would of course be subject to discussion with the Treasury if policy approval were given. Sir Keith does not see such a grant as increasing education expenditure; instead he wishes to use it to ensure that at the margin the Government's priorities take precedence over those of individual authorities. Examples which he gives as areas in which the new grant might be useful include curricula development in mathematics, and giving a more practical slant to 16+ education for the non-academic. The new power would of course require primary legislation.

You will recall of course that the DES argued strongly for greater block granting of education expenditure during your recent visits to DES. Sir Keith argues that the considerations advanced by MISC 79 against such a block grant would not apply to the limited power of specific grant proposed in his paper.

25 January 1983



Education *FW*

10 DOWNING STREET

From the Private Secretary

18 January 1983

Thank you for your letter of 11 January about the question of academic tenure generally and the position of the new blood posts in particular. The Prime Minister very much hopes that the new blood posts will either not carry tenure or will be for a limited period. Otherwise, they might soon become "old blood". In this context, she notes the position on these posts set out in your Secretary of State's letter to Dr. Nicholson of 11 January. Like your Secretary of State, she will wish to return to the question of tenure during the course of this year when we have a clearer idea of how the universities are responding to the proposals of the Committee of Vice Chancellors and Principals.

I am sending a copy of this letter to Dr. Nicholson.

(TIMOTHY FLESHER)

Mrs. Imogen Wilde,
Department of Education and Science.

FW

PRIME MINISTER

Academic Tenure

You commented on the attached letter from the Department of Education and Science that you thought the decision not to make the "new blood" appointments either specifically non-tenure posts or limited term posts was a mistake. I am afraid however that in his Parliamentary Answer announcing the new posts, Sir Keith had said that "the posts will be normal university appointments" without a special or new form of contract. In these circumstances he is committed to the arrangements set out in the DES letter of 11 January.

In these circumstances do you agree that I should indicate:

-
- (i) that Sir Keith should make clear to the universities and UGC the Government's preference that the "new blood" posts should be without tenure; and
 - ✓ (ii) you will wish to return to the question of tenure (and limited term posts) when there is more evidence of how the universities are reacting to the Committee of Vice Chancellors and Principals' proposals on tenure.

Dr. Nicholson and DES tell me that most of the universities whose statutes permit them to offer non-tenure posts are likely to do so for the "new blood" posts.

Dr. Nicholson agrees with the strategy outlined above.

17 January 1983



ok FM 2
Pine Hunter

DEPARTMENT OF EDUCATION AND SCIENCE
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TELEPHONE 01-928 9222

DF

FROM THE SECRETARY OF STATE

T Flesher Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

I think there is a
mistake. The "new blood"
should be for a
specific period. Otherwise this
soon become old blood
the money
not out

January 1983

Dear Sir,

ACADEMIC TENURE

Thank you for your letter of 20 December in which - in the light of Dr Nicholson's letter of 17 December about new blood for research - you ask about the present position on academic tenure. A copy of Sir Keith's reply to Dr Nicholson is enclosed.

In February last year the Committee of Vice-Chancellors and Principals (CVCP) produced their proposals for a new structure for the academic profession. These included proposals for extended probationary periods as well as for the inclusion of provision for redundancy in the contracts of employment of academics holding permanent appointments. I corresponded with Mike Pattison and Willie Rickett about the CVCP proposals at the time, and on 23 March the Secretary of State welcomed them in reply to an inspired PQ. A copy of his reply is enclosed.

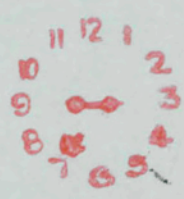
We understand from the CVCP that the universities are now considering their proposals, and that the CVCP are organising regular discussions among vice-chancellors about new forms of contract. Even before new arrangements are formally adopted universities are now very reluctant indeed to make any new appointments at all on a tenured basis. The majority of universities are likely to be able to include provision for redundancy in contracts for new appointees under the present provisions of their charter and statutes, but others will need to change their charter or statutes if they wish to adopt the CVCP proposals or some modification of them and the Secretary of State has made it clear that the Government stands ready to facilitate such changes.

I am sending a copy of this letter to Dr Nicholson.

Yours ever,
Imogen Wilde

MRS I WILDE
Private Secretary

11 JAN 1983





DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Dr R B Nicholson
Chief Scientist
Central Policy Review Staff
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

11 January 1983

Dear Dr Nicholson

Thank you for your letter of 17 December about the terms of appointment to be attached to the new blood posts. In my announcement last month about the new blood scheme I described the posts as "normal university appointments" to distinguish them from research type appointments for a fixed period of years, but the UGC's letter of invitation to bid for them will emphasise that they will be on the same terms as apply to other new academic appointments. The expectation here is that universities will not be making new appointments with tenure or without provision for redundancy unless, exceptionally, this is precluded by their charter or statutes. The letter will also remind universities of my view that, while universities are considering the proposals of the Committee of Vice-Chancellors and Principals for the structure of the academic profession, any new appointments should be made as far as possible on terms consistent with the long-term arrangements they propose to adopt. I am not inclined to go further than this and specifically impose a "no tenure" condition on these appointments because it is important for the success of the exercise that they should be seen as part of the academic mainstream. But we can if necessary return to this question in the course of the year when I have a better idea of how universities are reacting to the Committee of Vice-Chancellors and Principals' proposals on tenure. You may like to know that we do intend to insist that there must be a redundancy provision for academic appointments in the various proposals for new charters and statutes we shall be considering in the near future.

I am copying this letter to the Prime Minister, Geoffrey Howe, Michael Heseltine, Patrick Jenkin, George Younger, Nicholas Edwards, Kenneth Baker and Sir Robert Armstrong.

Wendy. Ken Joseph

Deaf Children (Teachers)

Mr. Carter-Jones asked the Secretary of State for Education and Science how many peripatetic teachers of the deaf are employed by each of the education authorities in England and Wales.

Dr. Boyson: The information requested is not available.

Mr. Carter-Jones asked the Secretary of State for Education and Science what preparatory work his Department has done for the implementation of the Education Act 1981 in relation to children under the age of five who have hearing difficulties.

Dr. Boyson: The Act lays local education authorities the duty to assess and make special educational provision for all children who need it, including the under fives. Authorities are currently engaged in preparatory work in anticipation of the Act coming into force, and most existing good practice will remain relevant. There is no indication at present that preparatory work by the Department is needed in this particular field, but if the hon. Member is aware of specific problems perhaps he would write to me.

Further Education

Mr. Whitehead asked the Secretary of State for Education and Science if he intends to respond to the replies to the consultative document "The Legal Basis for Further Education"; and by which date he expects to do so.

Mr. Waldegrave: My right hon. Friend is considering the replies to the consultative document and will announce his conclusion to the House as soon as possible.

Secondary School Staffing Survey

Mr. George Gardiner asked the Secretary of State for Education and Science when he expects to publish further information from the secondary school staffing survey undertaken in 1977.

Sir Keith Joseph: The Department has today published a second statistical bulletin which gives further information from the survey. Topics include the characteristics of teachers showing the variations between teachers qualified in different subjects, the deployment of teachers, the match between teachers' qualifications and

the subjects they teach, and about average class sizes for different subjects and year groups. Copies of this bulletin are available in the Libraries of both Houses.

Academic Profession (Structure)

Mr. Proctor asked the Secretary of State for Education and Science if he has seen the proposals of the Committee of Vice-Chancellors and Principals for the structure of the academic profession; and if he will make a statement.

Sir Keith Joseph: I have seen the proposals of the Committee of Vice-Chancellors and Principals for the structure of the academic profession in the universities. The CVCP has, very responsibly, recognised that institutions that are significantly dependent on the annual voting of public funds by Parliament for their support must be able to respond flexibly to changes in the level of that support, and that it is inconsistent with this need for flexibility that academic and related staff should be appointed until retirement age on terms which protect them against dismissal for reasons of redundancy or financial exigency. I welcome the CVCP's initiative in putting forward proposals designed to achieve the necessary flexibility without inhibiting academic freedom in teaching and research. These proposals are now for individual universities to consider. I hope that this consideration will lead them to bring forward in due course, where necessary, proposals for appropriate amendments to their charters and statutes. I hope also that from now on, in making appointments of new academic staff, they will do this as far as possible consistently with the long-term arrangements which they propose to adopt.

AGRICULTURE, FISHERIES AND FOOD

Food Prices

Mr. Austin Mitchell asked the Minister of Agriculture, Fisheries and Food, further to his reply of 24 February, *Official Report*, c. 402, concerning the effect of the common agricultural policy on United Kingdom food prices, whether he will publish the table in the *Official Report* in a revised form showing the prices in the first column adjusted to take account of any changes during each year in the value of the green pound.

Mr. Buchanan-Smith: The information requested is as follows:

Percentage increase in:

	European Community Institutional prices* (1)	Institutional prices arising from Green Pound changes† (2)	Columns 1 and 2 combined (3)	United Kingdom Retail Food Index‡ (4)	United Kingdom Retail Price Index‡ (5)
1973	5.1	n.a.	n.a.	15.1	9.2
1974	14.5	7.9	23.5	18.0	16.1
1975	9.6	14.2	25.2	25.6	24.2
1976	7.7	0	7.7	20.0	16.5
1977	3.9	3.0	7.0	19.0	15.8
1978	2.1	8.1	10.4	7.1	8.3
1979	1.3	12.0	13.5	12.0	13.4
1980	4.8	5.3	10.4	12.1	18.0
1981	9.4	0	9.4	8.4	11.9

* Percentage increases over previous season in European Community institutional prices, excluding the effects of green rate changes or of transition.

† Percentage increases in institutional price levels due to all green pound changes occurring in each calendar year, with the exception of the Green

Education, Nov 81, New Blood
For Research



5



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

FROM THE SECRETARY OF STATE

T Flesher Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

Prime Minister
You might like to
glance at paragraphs
15-29.

21 December 1982

MS

H

22/12

Dear Tim,

In his published letter to the Chairman of the University Grants Committee of 14 July, Sir Keith Joseph asked the Committee for an appraisal of the progress of restructuring in the universities in response to their reduced level of funding. The Secretary of State has now received the enclosed interim appraisal from the Committee. He plans to make it available to Parliament on Wednesday by placing it in the Library of the House and answering a Question drawing attention to the fact that he has done so. The letter will also be released to the press on Wednesday.

I am sending a copy of this letter to the Private Secretaries to the Secretaries of State for Northern Ireland, Scotland, Wales, Industry, and Social Services, to the Chief Secretary to the Treasury and to the Secretary of the Cabinet.

Yours ever,
Inogen Wilde

MRS I WILDE
Private Secretary



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

T Flesher Esq
Private Secretary
10 Downing Street
London SW1

Education
JH
21/12
21 December 1982

Dear Tom,

1983-84 ADVANCED FURTHER EDUCATION (AFE) CAPPED POOL DISTRIBUTION

Further to my letter of yesterday, I now enclose a table setting out the allocations to LEAs from the 1983-84 AFE quantum broken down between polytechnics and other maintained establishments. This will be issued tomorrow when the Parliamentary statement is made on the AFE capped allocations. Copies of the table will be placed in the Library of the House and made widely available together with the summary note enclosed with my letter of yesterday.

As you will see, the allocations imply severe reductions for the higher spending institutions, for example Middlesex Polytechnic.

Yours ever,

Iris Wilde

MRS I WILDE
Private Secretary

1983-84 CAPPED ADVANCED FURTHER EDUCATION POOL ALLOCATIONS

LEA	Institution	1982-83	1983-84	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
		net alloca- tion £m cash	net alloca- tion £m cash	
Barking	North East London Polytechnic	18.032	16.485	- 10.9
	OMEs ¹	0.093	0.114	- 28.7
	Total	18.125	16.599	- 11.1
Barnet	Middlesex Polytechnic	16.223	15.933	- 11.6
	OMEs	0.207	0.200	+ 6.2
	Total	16.430	16.133	- 11.5
Bexley	OMEs	0.992	1.076	- 14.8
Brent	OMEs	1.204	1.252	- 7.8
Bromley	OMEs	2.446	2.466	- 5.6
Croydon	OMEs	1.717	2.202	+ 5.2
Ealing	OMEs	4.387	4.772	- 8.6
Enfield	OMEs	0.149	0.170	- 7.4
Haringey	OMEs	0.777	0.872	- 14.8
Harrow	OMEs	1.708	1.854	- 12.2
Havering	OMEs	0.519	0.501	- 5.1
Hounslow	OMEs	3.062	2.986	- 9.0
Kingston upon Thames	Kingston Polytechnic	12.152	12.344	- 13.0
	OMEs	0.396	0.478	- 11.5
	Total	12.548	12.822	- 12.9
Merton	OMEs	0.977	1.024	- 12.5
Newham	OMEs	0.820	0.747	- 2.5
Redbridge	OMEs	0.014	0.019	- 15.6
Richmond upon Thames	OMEs	0.406	0.647	- 10.3
Waltham Forest	OMEs	0.203	0.216	- 2.0
Inner London	Polytechnics	54.464	54.081	- 9.1
	OMEs	20.520	22.535	- 16.7
	Total	74.984	76.616	- 11.4

LEA	Institution	1982-83 net alloca- tion £m cash	1983-84 net alloca- tion £m cash	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
Birmingham	City of Birmingham Polytechnic	12.759	12.576	- 3.8
	OMEs	1.525	1.451	+ 10.2
	Total	14.284	14.027	- 2.6
Coventry	Coventry (Lanchester) Polytechnic	13.550	13.721	- 4.4
	OMEs	0.621	0.743	- 20.2
	Total	14.171	14.464	- 5.4
Dudley	OMEs	0.698	0.786	- 12.9
Sandwell	OMEs	1.775	1.921	- 18.0
Solihull	OMEs	0.067	0.075	- 5.8
Walsall	OMEs	1.664	2.044	- 28.6
Wolverhampton	The Polytechnic, Wolverhampton	12.360	12.203	- 11.3
	OMEs	0.197	0.197	+ 3.2
	Total	12.557	12.400	- 11.1
Liverpool	Liverpool Polytechnic	13.709	14.734	- 10.1
	OMEs	4.494	3.661	- 15.7
	Total	18.203	18.395	- 11.3
St Helens	OMEs	0.467	0.583	- 24.7
Sefton	OMEs	0.030	0.042	- 18.9
Wirral	OMEs	0.744	0.827	- 5.6
Bolton	OMEs	2.331	3.019	- 15.5
Bury	OMEs	-	0.007	- 50.5
Manchester	Manchester Polytechnic	19.451	19.723	- 7.1
	OMEs	4.359	4.909	- 22.0
	Total	23.810	24.632	- 10.3
Oldham	OMEs	0.334	0.441	- 14.6
Rochdale	OMEs	0.036	0.045	- 13.5
Salford	OMEs	2.573	2.935	+ 0.8

LEA	Institution	1982-83 net alloca- tion £m cash	1983-84 net alloca- tion £m cash	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
Stockport	OMEs	1.411	1.632	- 8.0
Tameside	OMEs	0.086	0.105	- 13.8
Trafford	OMEs	0.264	0.288	- 4.4
Wigan	OMEs	1.176	1.224	- 4.7
Barnsley	OMEs	0.336	0.379	- 8.3
Doncaster	OMEs	1.526	1.820	- 11.4
Rotherham	OMEs	0.251	0.324	- 14.9
Sheffield	Sheffield City Polytechnic	18.611	18.805	- 4.2
	OMEs	0.701	0.869	+ 10.3
	Total	19.312	19.674	- 3.6
Bradford	OMEs	3.382	3.492	- 9.7
Calderdale	OMEs	0.035	0.043	- 13.0
Kirklees	Huddersfield Polytechnic	10.718	10.572	- 8.8
	OMEs	0.034	0.110	+130.7
	Total	10.752	10.682	- 8.2
Leeds	Leeds Polytechnic	14.147	14.005	- 3.3
	OMEs	0.775	0.923	- 8.1
	Total	14.922	14.928	- 3.6
Wakefield	OMEs	1.709	1.854	- 9.4
Gateshead	OMEs	0.233	0.323	- 22.8
Newcastle upon Tyne	Newcastle-upon-Tyne Polytechnic	14.885	15.051	- 6.2
	OMEs	0.473	0.642	+ 26.5
	Total	15.358	15.693	- 5.2
North Tyneside	OMEs	0.021	0.017	+ 27.1
South Tyneside	OMEs	0.730	0.956	- 24.2
Sunderland	Sunderland Polytechnic	9.933	9.717	- 7.1
	OMEs	0.134	0.195	- 25.5
	Total	10.067	9.912	- 7.5

LEA	Institution	1982-83 net alloca- tion £m cash	1983-84 net alloca- tion £m cash	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
Avon	Bristol Polytechnic	13.005	13.299	- 7.1
	OMEs	3.335	3.622	- 17.3
	Total	16.340	16.921	- 9.4
Bedfordshire	OMEs	3.275	3.792	- 17.9
Berkshire	OMEs	5.141	6.193	- 15.9
Buckinghamshire	OMEs	2.250	2.422	- 14.7
Cambridgeshire	OMEs	2.934	3.332	- 14.4
Cheshire	OMEs	4.294	4.951	- 23.5
Cleveland	Teesside Polytechnic	7.038	7.280	- 16.6
	OMEs	0.398	0.486	+ 19.3
	Total	7.436	7.767	- 15.1
Cornwall	OMEs	1.067	1.234	- 23.3
Cumbria	OMEs	1.290	1.519	- 21.3
Derbyshire	OMEs	3.872	4.820	- 25.4
Devon	Plymouth Polytechnic	8.916	9.152	- 8.4
	OMEs	3.202	3.865	- 21.6
	Total	12.118	13.017	- 12.6
Dorset	OMEs	4.051	4.710	- 5.7
Durham	OMEs	2.243	2.242	- 7.0
East Sussex	Brighton Polytechnic	13.123	12.683	- 12.4
	OMEs	0.538	0.686	- 14.6
	Total	13.661	13.369	- 12.5
Essex	OMEs	5.964	6.936	- 13.5
Gloucestershire	OMEs	3.311	3.524	- 4.4
Hampshire	Portsmouth Polytechnic	16.107	15.660	- 5.1
	OMEs	5.580	6.430	- 11.1
	Total	21.687	22.090	- 7.0
Hereford and Worcester	OMEs	3.548	3.528	- 13.1

LEA	Institution	1982-83	1983-84	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
		net alloca- tion £m cash	net alloca- tion £m cash	
Hertfordshire	Hatfield Polytechnic	10.427	10.408	- 5.4
	OMEs	3.032	3.750	- 18.7
	Total	13.459	14.158	- 9.4
Humberside	OMEs	5.255	6.052	- 21.9
Isle of Wight	OMEs	0.090	0.089	+ 4.1
Kent	OMEs	4.264	5.336	- 7.0
Lancashire	Preston Polytechnic	9.849	9.486	- 9.5
	OMEs	4.940	5.545	- 14.3
	Total	14.789	15.031	- 11.4
Leicestershire	Leicester Polytechnic	14.764	15.253	- 6.1
	OMEs	1.412	1.538	- 11.8
	Total	16.176	16.791	- 6.7
Lincolnshire	OMEs	0.576	0.649	+ 7.2
Norfolk	OMEs	2.302	2.472	- 10.5
North Yorkshire	OMEs	0.952	1.273	- 21.6
Northamptonshire	OMEs	2.607	3.132	- 15.3
Northumberland	OMEs	0.364	0.289	+ 21.7
Nottinghamshire	Trent Polytechnic	17.493	17.985	- 5.5
	OMEs	0.613	0.557	+ 14.7
	Total	18.106	18.542	- 5.0
Oxfordshire	Oxford Polytechnic	8.842	9.541	- 7.6
	OMEs	0.173	0.324	- 22.0
	Total	9.015	9.865	- 8.1
Shropshire	OMEs	0.338	0.342	+ 2.2
Somerset	OMEs	0.360	0.395	- 4.6
Staffordshire	North Staffordshire Polytechnic	10.442	10.577	- 13.6
	OMEs	0.564	0.705	- 5.5
	Total	11.006	11.282	- 13.1
Suffolk	OMEs	1.559	1.621	- 7.6

LEA	Institution	1982-83	1983-84	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
		net alloca- tion £m cash	net alloca- tion £m cash	
Surrey	OMEs	3.688	4.249	- 11.5
Warwickshire	OMEs	0.348	0.383	- 5.1
West Sussex	OMEs	1.460	1.955	- 14.5
Wiltshire	OMEs	1.023	1.265	- 14.0

Notes:

1. Other maintained establishments
2. For the purposes of this comparison, the adjustment in respect of DATEC students has been included, but catering and residence, central administration and additions for information technology have been excluded.
3. The assumptions are of 7.5 per cent price increases in 1982-83 together with 3.5 per cent pay and 6 per cent price increases in 1983-84.

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Education

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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

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FROM THE SECRETARY OF STATE

Mr Richert to see

JA

20/12

20 December 1982

T Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

Dear Tom,

1983-84 ADVANCED FURTHER EDUCATION (AFE) CAPPED POOL DISTRIBUTION

I am writing to give you advance notice that my Secretary of State will be making an announcement on Wednesday 22 December of the AFE capped pool allocations for 1983-84. I enclose a copy of the announcement, which is to be made by means of a Written Answer, together with a summary note about the determination and distribution of the capped AFE pool for 1983-84 which will be made widely available.

In advance of this announcement, my Secretary of State will be giving details tomorrow, through a Written Answer, of his proposals for the distribution among the LEAs of the £2m included within the capped AFE pool for 1983-84 to finance the expansion of information technology provision in the local authority sector.

Yours ever,

Inogen Wilde

MRS I WILDE
Private Secretary

DRAFT PQ ANNOUNCING THE 1983-84 AFE CAPPED POOL ALLOCATIONS

Question: To ask the Secretary of State for Education and Science if he is yet in a position to announce the AFE capped pool allocations for 1983-84?

Answer

Letters are being sent to local education authorities today notifying them of their AFE capped pool allocations for 1983-84. Copies of a note which sets out the allocations and summarises the methodology used in deciding on the allocations (together with a more technical supplement) has been placed in the libraries of both Houses.

After consultation with the local authority associations I have determined the AFE Quantum for 1983-84 to be £560.5m. This includes an addition of £2m for the expansion of provision for information technology: details of which I announced yesterday.

The principles and methodology I have adopted in distributing the capped AFE pool for 1983-84 are those recommended by the Committee of the National Advisory Body. These include most notably the provision of a common level of funding for equivalent areas of work and adjustments to take account of the level of expenditure on AFE in 1981-82 and the capped pool distribution for 1982-83. The resulting allocations should place the greatest pressure for economies on those institutions with the highest unit costs and afford a measure of protection to the more economical institutions.

The National Advisory Body will be considering further refinements in the method of distributing the quantum in the context of their 1984-85 planning exercise.

THE DETERMINATION AND DISTRIBUTION OF THE CAPPED ADVANCED FURTHER EDUCATION
POOL, 1983-84

Note by the Department of Education and Science

Introduction

1. The Secretary of State took powers in the Education Act 1980 to determine in advance for each year, after consultation with the local authority associations, the amount of expenditure on higher education nationally which LEAs may pool,¹ and how that amount should be distributed amongst the LEAs engaged in the provision of higher education. This note outlines in general terms the basis for the determination of the "capped" advanced further education (AFE) pool for 1983-84 (the quantum) and the method adopted for its distribution which is that recommended by the Committee of the National Advisory Body set out in the Annex to this note.

The capped AFE pool 1983-84

2. As was foreshadowed in his announcement on 8 November, the Secretary of State has, after consultation with the local authority associations, determined the AFE quantum for 1983-84 to be £560.5m which includes an addition of £2m for the expansion of courses designed to improve the supply of qualified manpower in information technology. This compares with the 1982-83 quantum of £539m. The forecasts of AFE expenditure in 1983-84 underlying the quantum have been increased compared with the Government's expenditure plans as set out in the last Public Expenditure White Paper (Cmd 8494), to take account of the limited progress which authorities have made so far in reducing their aggregate expenditure on AFE in line with the Government's policy on higher education expenditure.

3. The Quantum implies an estimated reduction in AFE expenditure of the order of 10 per cent in real terms compared with 1981-82; the precise figure will depend crucially on pay settlements over the coming months and the extent to which authorities contain their wages and other costs. The Quantum implies the loss of 2,000 full-time equivalent lecturer posts in AFE by next October and comparable reductions in non-academic staff in 1983. The enhanced

¹ Pooling is the arrangement under which the costs of certain services which are provided unevenly across local authorities are shared among them all by means of adjustments to their Block Grant.

redundancy compensation terms announced by the Secretary of State on 4 November are intended to assist LEAs and their institutions to secure an orderly decrease in lecturer numbers and effective rationalisation of AFE provision. Expenditure on premature retirement compensation and redundancy payments will be met - as in 1982-83 - from a separate open pool.

4. The following paragraphs describe the methodology used in distributing the quantum.

Distribution of the 1983-84 capped AFE pool

5. For the first two years after the capping of the AFE pool, the distribution methods were based on authorities' forecasts of spending rather than on any more objective assessment of expenditure requirements. For 1982-83, a new and more equitable distribution method was developed in consultation with the local authority associations and representatives of the institutions.

6. This new method involved the calculation of a level of basic or common funding consistent with the Government's overall expenditure plans by the application of a set of unit costs for each of three main subject groups in polytechnics and other major establishments (OMEs) respectively to recent actual student numbers. The three main groups are Group I (laboratory and workshop based subjects), Group II (classroom based subjects) and Art and Design. The unit costs were deliberately set below the average provided for in the Government's plans so that a proportion of the pool remained available for distribution by other criteria. This second element - further funding - was allocated by reference to the most recent actual expenditure levels, to act as a form of safety net. Those institutions with the highest unit costs were therefore required to make the largest reductions in expenditure, but with a constraint on the maximum reduction expected of individual institutions.

7. The principles underlying the 1983-84 distribution - which have been adopted on the basis of advice from the National Advisory Body (NAB) and the Pooling Committee - are essentially the same as in 1982-83, although a number of refinements and developments have been incorporated many of them made possible by the availability of improved and extended sources of data. (cf paragraphs 8-12). However, there is one major departure from the 1982-83 methodology in that a 'moderation' stage has been overlaid onto the common and further

funding calculations to protect institutions from large reductions to their allocations between 1982-83 and 1983-84. (cf paragraphs 13-14).

8. In the common funding calculations for 1983-84, the latest actual student numbers (November 1981) have been used. The unit costs used for the three main subject groups have been based on established data (which continues to be supported by the latest evidence). This subject classification into the three groups has been refined by bringing computing and related subjects within the laboratory and workshop based subject group. A separate enhanced unit cost has been applied to conservatoire music students in recognition of the intrinsically high costs of this provision. The factors used for converting part-time day and evening only students to full-time equivalents have been enhanced, in recognition of the importance of these modes of provision. College closures and mergers have been reflected as far as possible in the student numbers base.

9. The common funding calculations reflect the Secretary of State's decisions (announced on 8 November) on target intakes to initial teacher training courses in 1983. They also make allowance for students on Higher Diploma and Higher Certificate TEC courses in design and art (DATEC) that were previously classified as non-advanced courses. As was announced on 21 December the additional £2m for information technology has been allocated in support of initiatives in specific institutions as recommended by the NAB.

10. Analysis of institutions' 1981-82 actual unit costs showed that, when allowance is made for their different mixes of students between the main subject groups, the averages for polytechnics and OMEs were very similar but that there was a very wide range of costs between individual institutions (from under £2,000 to well over £4,000 gross). This led to the conclusion that in the interests of simplicity and equity, there were strong arguments in favour of a single set of common funding unit costs being used in 1983-84, rather than separate unit costs for polytechnics and OMEs as in 1981-82

11. The proportion of the gross AFE pool devoted to common funding has been increased from 85 per cent in 1982-83 to 88 per cent in 1983-84 (and the proportion devoted to further funding thereby reduced to 12 per cent). This will afford relatively greater protection to low spending institutions. However, it is recognised in the light of the wide range of institutional unit costs observed in 1981-82 that further funding has an important role to play in cushioning the unavoidable insensitivities of common funding as well as in providing transitional protection for high spenders.

12. Further funding has been distributed in 1983-84 by reference to latest actual expenditure levels (ie 1981-82 outturn expenditure). Further funding has been calculated separately for all institutions with more than 10 per cent AFE, thereby giving a much more sensitive result for OMEs than the 1982-83 distribution which treated each authority's OMEs as a block. A single further funding schedule has been used for all institutions. The reduction in real terms between 1981-82 and 1983-84 for the highest spending institutions has, at this first stage of mitigation, been constrained to 20 per cent. The calculations also assume at this stage of mitigation that the lowest spending institutions should not be required to make any real reduction (on the inflation assumptions used) below their 1981-82 spending level in 1983-84.

13. The net expenditure figures for 1983-84 were derived from the total of common and further funding after allowance had been made for fee income, the continuing subsidies for catering and residence and central administration costs. The resulting allocations showed a significantly different pattern of allocations compared to those for 1982-83.

14. The changes resulted from such factors as the use of 1981 rather than 1980 student numbers, the incorporation of certain changes in the common funding methodology including in particular the use of units of funding which are not differentiated by type of institution, and the distribution of further funding in relation to 1981-82 rather than 1980-81 outturn expenditure.

15. The NAB Committee were particularly concerned about the consequences of such marked year on year changes in allocations and in the interests of stability and realism they recommended that there be a second stage of mitigation which would moderate the impact of the year on year changes which would otherwise occur. This 'moderation stage' involved a halving of the estimated real terms year on year difference between net 1982-83 allocations and unmoderated 1983-84 allocation to give the final 1983-84 allocations. Although the calculations for common and further funding were done at institutional level (except for those institutions with less than 10% AFE) the allocations in the ^{annex} are differentiated only as between polytechnics and other maintained institutions as the 'moderation stage' can only operate at the same level of aggregation as the 1982-83 allocations. Therefore the adjustments attributable to the moderation stage have not been

specifically related to individual institutions: consequently no institutional breakdown of the allocations between other maintained establishments within oen authority (or between polytechnics in ILEA) has been calculated.



UNIVERSITY GRANTS COMMITTEE

14 Park Crescent, London WIN 4DH

Telephone 01-636 7799

From the Chairman

Edward Parkes, Sc.D.

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education and Science
Elizabeth House
York Road
London SE1 7PH

16 December 1982

Dear Secretary of State

THE RESTRUCTURING OF THE UNIVERSITY SYSTEM: AN INTERIM APPRAISAL

Early in 1981 the Government told the University Grants Committee that the recurrent grant would be substantially reduced over the three academic years 1981/82 - 1983/84. We are now, in December 1982, nearly half way through this period and we have made an interim appraisal of progress so far and of future prospects.

Background

2. The reduction in the recurrent grant announced in 1981 amounted, over three years, to 8½%. To this had to be added the loss of income that the universities would already suffer over the period 1980/81 to 1982/83 as a result of the Government's earlier decision to withdraw that part of the recurrent grant which subsidised overseas students. In 1981 the Committee estimated that the universities' loss of income from both causes would lie in the range 11% to 15%. The effect of the withdrawal of the subsidy for overseas students still cannot be precisely assessed, but our most recent estimate suggests a total loss of income of not less than 13%.

3. The Committee made clear its view that a reduction in income on the scale and at the pace required by Government would necessarily damage the quality of teaching and the research base and would be accompanied, at least for a time, by diseconomies in the use of resources. In order to try to limit the damage, the Committee decided in 1981 that the unit of resource for the system as a whole (i.e. the income per head for home and EC students from grant and fees) should fall by not more than 10%. This implied a reduction in the number of home and EC students of about 5%.

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4. Our approach to planning was described in our Annual Survey for 1980/81, and in more detail in our oral and written evidence to the Select Committee on Education, Science and the Arts. We welcomed your endorsement of this approach in your letter of 14 July 1982.

The Committee's monitoring role

5. In its letters of 1 July 1981 which dealt with future funding and student numbers the Committee gave individual universities advice on some of the adjustments which it thought desirable. However the extremely difficult task of working out their future plans in detail has necessarily fallen on the institutions themselves. We have not thought it helpful to interrupt, and perhaps distort, the internal processes of decision-making by making continual requests for information. Routine returns from the universities have given us details of student numbers and we have twice asked for ad hoc forecasts of staff reductions.

6. We have also received a flow of information by other means. Some 27 universities accepted the general invitation in our letters of 1 July 1981 to discuss their allocations with us in London. Others have volunteered information about their academic planning and sought our advice. A further 14 have discussed their plans with us in the course of our normal programme of visits. We have been greatly helped by our own subject sub-committees and by many outside bodies which have been observing developments in specific areas.

7. We have at times been asked to intervene by those who have been concerned at particular cuts under discussion in individual universities. In general we have not done this: universities are responsible for taking their own decisions, it is impossible for them to avoid making unwelcome cuts, and rumours about their intentions have sometimes proved incorrect. However we have taken up a number of matters with universities generally or with particular institutions.

8. Our grant letters of 1 July 1981 gave a good deal of specific guidance about particular subjects. We have followed this by taking steps to protect certain subjects which appeared to be in special danger. We have invited universities to enter into discussion among themselves and with the Committee about how minority subjects in both the arts and the sciences might be sustained. In some cases we have assisted in the rationalisation of the provision by financing the transfer of staff from one university to another. We have made special approaches to universities with interests in oceanography and the history and philosophy of science, and universities have approached us about problems with minority languages, textile technology, colour chemistry and nuclear engineering.

9. We are investigating suggestions that a large number of sandwich courses are being dropped, partly because it has become even more difficult than in the past to find placements but also because academic staff are too stretched to accept the burden of administration and supervision.

10. Apart from academic disciplines we have felt justified in pointing to other fields where the effects of proposed cuts may not have been fully recognised. In our grant letter of 20 May 1982 we referred to the vulnerability of expenditure on consumable and other materials, including library acquisitions. We have sometimes expressed concern to individual universities that, because they were finding it relatively less difficult to shed non-academic staff, they might be planning a disproportionate reduction in these posts, some of which may be crucial to teaching and research. Excessive savings on administrative staff may mean that academic staff are diverted from their proper duties. Other areas where we have expressed concern to individual universities include student counselling, careers advisory services, and central computer services.

Some general problems of contraction

11. Cuts of the order and at the speed required by the Government would be difficult to achieve in almost any sphere of activity. But special problems arise from the nature and organisation of higher education, where long lead times are often inevitable. Most undergraduate courses last three years and some last even longer. A decision to withdraw a course should be taken with sufficient notice so that prospective candidates are not misled. Even when it has been taken it may be some years before all the existing students have graduated.

12. Further, universities are self-regulating communities of scholars and all academic staff are members of the body corporate. The decision-making processes are complex and depend on widespread consent. Even under the urgent pressure of reduced funding a realignment of academic priorities is not easy to achieve without considerable debate over a fairly long period.

13. Media and parliamentary interest has tended to focus on a handful of universities which have suffered the largest reductions in funding and student numbers. These undeniably face severe difficulties, but almost all universities are having to make major adjustments. It needs to be remembered that during the 1970s the income per student fell by 10% in real terms, so that the new cuts followed a period of increasing stringency for the whole university system. There is a particular problem for the federal university of London, which accounts for between 13% and 14% of the total number of students and contains many institutions with considerable discretion in the management of their affairs.

Home and EC student numbers

14. The Committee advised universities in 1979 to restrain new undergraduate admissions in 1980/81 to the same levels as in the previous year, but not all did so. Taken together with the "roll-on" effect of rising admissions in the preceding years, total numbers in 1980/81 rose by about 3% compared with 1979/80. They rose by a further 1% in 1981/82 even though the new entry fell. There is a particular problem with numbers in mathematics, where the 1980/81 entry was 18% above that in 1979/80 and where continued high numbers could take resources intended for other areas of science. We are considering the implications of this.

15. We now have provisional returns for 1982/83. Not only new entrants but also total numbers have now begun to fall. The following table shows the figures since 1979/80 and our target for the end of the contraction period:

<u>Year</u>	<u>Total Numbers (000's)</u>			<u>New Entrants (000s)</u>		
	u.g.	p.g.	total	u.g.	p.g.	total
1979/80	229.2	31.8	261.0	77.8	20.2	98.0
1980/81	236.8	32.6	269.4	79.7	20.6	100.3
1981/82	239.9	32.4	272.4	77.1	20.9	98.0
1982/83 (estimate based on provisional returns)	237.1	30.6	267.7	74.4	20.1	94.5
1984/85 (target)			249.5			

16. The continued rise in numbers (mainly due to "roll on") until 1981/82 has intensified the problem of adaptation to a lower level of funding. The Committee gave universities the latitude to achieve their student targets by 1984/85 instead of 1983/84. This would oblige them to look after more students in 1983/84 than had been provided for in recurrent grant. The evidence is nevertheless that the great majority of universities are taking 1984/85 as their target date.

17. On the basis of the provisional figures for 1982/83 we consider that most universities are reasonably on course to their student targets. There are however a few universities whose intake patterns suggest that they may exceed their targets by at least 5 per cent. The Committee has written to ask these few universities for information about their plans. Although it recognises the pressure of the still-rising number of applications from well-qualified candidates, it would not wish the recurrent grant for the whole system to be jeopardised by unplanned additional public expenditure at some universities.

Overseas student numbers

18. The following table summarises the position since 1979/80:

<u>Year</u>	<u>Total Numbers (000's)</u>			<u>New Entrants (000s)</u>		
	u.g.	p.g.	total	u.g.	p.g.	total
1979/80	15.7	15.8	31.5	6.0	9.2	15.2
1980/81	14.4	14.9	29.3	5.1	8.2	13.3
1981/82	13.4	14.4	27.8	5.1	8.4	13.5
1982/83 (estimate based on provisional returns)	12.6	13.6	26.2	5.3	8.6	13.9
Change, 1979/80 to 1982/83	-20%	-14%	-17%	-12%	-7%	-9%

The provisional figures for 1982/83 suggest that the fall in entrants which began in 1980/81 has now been arrested, largely as a result of energetic efforts by the universities.

Staff numbers

19. The Committee impressed upon Government from the start of the contraction that, with expenditure on staff representing 75% of total expenditure, universities would be unable to achieve the first essential for adaptation to a lower level of funding- the shedding of staff- without satisfactory terms of compensation. We have observed very strictly the terms prescribed by the Government. We decided that, if universities chose to reach an accommodation with their staff on more generous terms, it would be inconsistent with our obligations to Government and Parliament to make any contribution from the restructuring funds. We allowed an exception only in the relatively few cases where an offer to members of staff had been made in good faith and accepted before the terms of the Government scheme had been announced, and here we limited our contribution to that of the Government's terms.

20. The establishment of clear rules for applying the terms of compensation to many different groups of staff with varying circumstances of employment and pension entitlements has been a complex operation. The capitalisation of the additional costs arising from the early retirement of non-academic staff with benefits improved in the respects defined by the Government (but no other) has been a special problem requiring the assistance of the Government Actuary's Department. The application of the rules and the approval of claims for payment has imposed a major additional burden on our depleted staff.

21. We have twice asked the universities for forecasts of the posts which they expect to shed. The second return, for October 1982, is summarised in the following table:

	OOOs		
	"Useful" natural wastage	Early retirement and redundancy	Total
Academic	1.2	3.2)	4.4
) 4.0	
Academic-related	0.4	0.8)	1.2
Non-academic	<u>3.3</u>	<u>2.3</u>	<u>5.6</u>
Total	4.9	6.3	11.2

By "useful" natural wastage we mean wastage, through normal retirements or for other reasons, which creates vacancies which will not be filled. Several universities have emphasised that their forecasts are highly speculative and, as a small number of universities have not yet submitted returns, the figures are not quite complete.

22. So far we have received over 1800 claims from universities for the reimbursement of compensation paid to departing academic and academic-related staff. These have amounted to nearly £4lm and suggest that the ultimate cost of compensation for these staff will be in the range £90m - £100m. For non-academic staff the comparatively small number of claims so far received suggests a total cost of £30m. These figures do not include the extra cost of relieving actuarial strain on the Universities' Superannuation Scheme arising from the exceptional number of early retirements (for which you have recently agreed to provide compensation), or of additional staff losses which may be necessary because full compensation is not being provided for pay increases, or of possible litigation.

23. On the basis of these claims the universities are now 45% of the way towards their forecast loss by early retirement or redundancy of 4000 academic and academic-related staff. As might be expected, a high proportion of the academic staff were in senior grades: last July an earlier analysis of claims received showed that 20% were professors and 48% were senior lecturers and readers.

24. The universities' forecasts of redundancy have clearly indicated an intention to make the great bulk of the necessary savings by early retirement: they expected only 17% of their staff savings over the whole period to come from those aged under 50 (and so not eligible for benefit under the Premature Retirement Compensation Scheme). When claims received to date were analysed by age at the end of July, only 7% were for staff under 50. This seems to us to constitute clear evidence that the severance payments for staff under 50 are not proving sufficiently attractive to persuade them to leave voluntarily. Your letter to the Vice-Chancellor of Surrey University of 4 May 1982 (which was released to the press) made it clear that no improvement in the terms of compensation would be authorised. You advised universities which could not otherwise adjust to the new levels of funding without crippling economies to put forward proposals to the Privy Council for amendment of their statutes so as to enable academic staff appointments to be terminated involuntarily. Certain universities have told us that they cannot do this, either because they cannot obtain the necessary consensus for change, or because they have had legal advice that the tenure of existing staff cannot be altered through amendment to their statutes. We shall be watching developments closely.

The future academic balance

25. The Committee has made it clear that it reserves the right to refuse a claim for early retirement compensation if it is not satisfied with the academic rationale behind it. We have felt that we should not use this right until we had systematic evidence of the way things were going. An analysis of the universities' October forecasts shows that in almost all the main subject areas nearly 50% of the posts to be lost through useful natural wastage, early retirement and redundancy have already been shed in 1981/82 and a further 25% are expected to go in 1982/83. In engineering, technology, mathematics and computer science the percentage of posts shed in 1981/82 is much higher than average (and losses thereafter will therefore be lower). This is not unexpected, since these staff find it easier to obtain other employment. There are other areas (e.g.

medicine, accountancy and law) of which this is true.

26. Because universities have so far shed posts much faster than they have reduced student numbers, the student/staff ratio has deteriorated sharply. It seems that in some of the areas mentioned in para. 25 some universities which have been opportunist in their first reaction to the cuts, freezing posts which fell vacant and making maximum use of the Premature Retirement Compensation Scheme, have already overshot their desired staff losses and will have to start recruiting again. At the same time they may have exhausted their voluntary early retirements in other areas (particularly in the arts and social studies) and still have further reductions to make. This may create severe management problems in universities with their traditional form of highly democratic government.

27. We have made the following comparison between the student/staff ratios in the main subject areas in 1979/80 and the position which the universities are, on present evidence, likely to reach in 1984/85:

	<u>Student/staff ratio</u>	
	1979/80	1984/85
Medicine	6.2	7.2
(Dentistry	6.7	7.3)
Engineering & Technology	9.2	10.0
Biological Sciences	8.8	9.2
Mathematical Sciences	10.6	11.2
Physical Sciences	7.4	8.8
Social Studies	11.6	11.8
Arts	10.3	10.9

28. In general we believe that the table (and the numbers of staff and students underlying it) is consistent with our plans for a change in the distribution of students between arts, science and medicine from 50:41:9 in 1979/80 to 48:42:10 in 1984/85 and with the shifts in ratios which we had in mind, particularly the growth in physical science numbers by making better use of resources, the relatively small change in the high student/staff ratio in social sciences and the preferential treatment of dentistry compared with medicine. We are however concerned at the prospective increase in the ratio for medicine, where we had hoped that the 1984/85 figure would not exceed 7. Although we told universities that medicine could no longer receive the protection it had enjoyed hitherto, we had evidence earlier this year that some institutions had misunderstood our guidance and were planning greater cuts than we had envisaged. We therefore sent a letter of clarification in May to all universities with medical schools.

29. The statistical evidence on staff losses cannot show up the damage to a department when a particularly valuable member of staff departs. Nor can a simple enumeration of courses (and of options within courses) which have been withdrawn convey the extent to which the curriculum is being impoverished. It will not be possible for some years to form a balanced view of the effects of the cuts on academic standards in individual departments.

Part-time appointments

30. The Committee has recognised that, after making staff reductions essential to their financial targets and consistent with their academic plans, some universities will have to make temporary arrangements for teaching students whose courses are being phased out or reduced in size. We have undertaken to reimburse up to 75% of the salary costs of part-time appointments (which may be temporary re-engagements of redundant staff) for this specific purpose. Such appointments must be for not more than one-third of a normal full-time appointment, must not exceed three years and must not extend beyond 1984/85. It is not yet possible to estimate the number of claims that will be submitted and their total cost.

Capital requirements

31. Many universities are considering internal mergers and various forms of rationalisation of their sites and buildings to assist adaptation to a lower level of funding. Projects costing less than £1m will normally have to be financed from the university's block recurrent grant. The new arrangements for universities to retain the whole or part of the proceeds of sales of surplus land and buildings will also provide a source of funds. However there will be schemes, some of them costing several million pounds, which can only be financed from our limited building programmes. Such schemes may come after the academic restructuring and extend well beyond the contraction period.

32. We are much concerned at the need for major renovation of university buildings and intend to carry out a pilot study of eight to ten universities in order to assess the scale of the problem.

New developments

33. The Committee is anxious to keep alive the spark of innovation by making some provision for new developments. We have already launched a major initiative in biotechnology, at a cost of over £3m. We have invited universities to submit their own proposals for innovation and we have recently approved schemes in applied physics, metallurgy, engineering, gene transfer in plants, and agricultural marketing. We are considering other proposals.

Research and "new blood"

34. We are continuing to give attention, in collaboration with the Research Councils and the Royal Society, to measures intended to limit the erosion of the dual support system. There are problems over the support of research in the arts no less than in the sciences. The Committee and the ABRC have both argued the case for special Government support for the appointment of young researchers and lecturers at a time when there are few opportunities to bring "new blood" into the system. We welcome your decision to provide additional funds. These will be very helpful but we do not expect them to do more than provide some impetus in selected areas. We intend to take stock of the whole age structure of the academic staff after the period of contraction. Present indications are that, with very few retirements for a decade, the ability of the universities to respond in a flexible manner to the changing needs of society will be severely hampered.

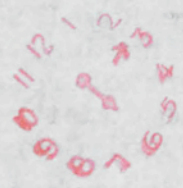
Conclusion

35. This is an interim appraisal and we shall make another at a later stage in the process of restructuring. So far we believe that the university system is adapting itself to the new levels of funding broadly in accordance with the Committee's advice. However there are aspects which cause us anxiety, and uncertainties remain.

Yours Sincerely

Edward Parkes

21 DEC 1962





Education 2

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

1) Mr Roberts *Wm 14/12*

2) Pave Murlet

R

T Flesher Esq
Private Secretary
10 Downing Street
London SW1

14 December 1982

14/12

Dear Tom,

ANNOUNCEMENT OF SCIENCE BUDGET
ALLOCATIONS FOR 1983-84

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I am writing to give you notice of my Secretary of State's intention to make an announcement tomorrow of the science budget allocations for 1983-84. I enclose a copy of the draft announcement, which is to be made in the form of a written Answer.

*Yours ever,
Inogen Wilde*

MRS I WILDE
Private Secretary

DRAFT

ANNOUNCEMENT OF SCIENCE BUDGET ALLOCATIONS 1983-84 : DECEMBER 1982

PARLIAMENTARY QUESTION AND ANSWER

QUESTION: to ask the Secretary of State for Education and Science how the Science Budget for 1983-84 would be distributed between the research bodies, and if he will make a statement.

ANSWER: SIR KEITH JOSEPH -

Having considered the recommendations of the Advisory Board for the Research Councils, I have decided that the Science Budget for 1983-84 should, subject to approval by Parliament of the Estimates in due course, be allocated as follows:

	<u>1983-84</u>	<u>£m (cash prices)</u>
Agricultural Research Council		46.0
Medical Research Council		113.7
Natural Environment Research Council		62.5
Science and Engineering Research Council		254.5
Social Science Research Council		22.4
British Museum (Natural History)		12.7*
Royal Society		5.0
		<u>516.8*</u>

* Including expenditure of £3.3m by PSA on behalf of the Museum.

The advice I received from the ABRC this year was published, with my agreement, and I ^{set out below} attach the text of a letter I have sent to Sir Alec Merrison, Chairman of the ABRC, in response.



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Sir Alec Merrison
Chairman
Advisory Board for the
Research Councils
Elizabeth House
York Road
LONDON SE1

1 December 1982

Dear Sir Alec.

THE SCIENCE BUDGET

I am most grateful to you and the other members of the Advisory Board for the Research Councils for the advice given to me in "The Science Budget: A Forward Look 1982". While I do not, as you know, agree in every respect with the Board's advice, I recognise the care and thought that has gone into the Report and the hard decisions that have been involved; and I was pleased to agree that on this occasion it should be published.

You already know that I have accepted the conclusion of the Board about the East Infill project at the Natural History Museum. I welcome your willingness to consider the Museum's needs further with the Trustees and look forward to receiving further advice in due course. You also know that I have not felt able to accept the Board's view about the level of funding for the Social Science Research Council. But my intention is that - subject as ever to each year's public expenditure decisions - the Board should be able to redeploy the money saved by my reduction in the grant to the SSRC; and I would ask them, in doing this, to give first priority in using the funds in 1984/85 and 1985/86 to perceived need for new blood in the natural sciences, in the research institutes of the Councils as well as in the universities, in the light of progress on this year's allocation.

Prospects for inflation have changed since the ABRC completed their advice (particularly paragraphs 30-32) in July. While relevant pay settlements in the current year have been in the range 5 - 6%, the extra cost of these has been offset, at least in part, by lower than expected price increases. For 1983-84, the Government have set a planning assumption on pay at 3½% and the prospects are for price increases averaging 5%. The cost of

/international....

international subscriptions will have increased in the light of the recent fall in the value of the pound but that fall followed a rise earlier in the year and the level today is not significantly different from that obtaining when the distribution of the Science Budget was considered towards the end of 1981.

I have decided on a figure of £516.8m for the Science Budget in 1983-84. I cannot yet give you the final planning figures for 1984-85 and 1985-86 but I expect to do so shortly. If costs are contained, the figure of £516.8m should be sufficient broadly to maintain the existing level of support for science while allowing for additional funds for the BAS, for information technology and for research grants to support new blood.

I have also agreed to make available to the University Grants Committee, subject to each year's public expenditure review in the usual way, about £30m over the next three years for new blood appointments in the universities, mainly in the area of the natural sciences. Although this money is being made available through the University Grants Committee, I am glad to know that the Research Councils will be closely involved with the UGC in the choice of posts where the need for new blood is greatest. The provision of these funds is therefore a direct response to the recommendation in your Report, where you said that "solving this problem probably represents the most important issue facing scientific research management". I shall be announcing further details soon.

I turn now to your recommendation about the increased allocation for SERC and the reduced allocations for the ARC and NERC. I have had the benefit of a discussion with the ARC. I do not wish to dissent from the Board's view of scientific priorities which led to their recommendation about the size of allocations over the years 1983/84 to 1985/86. But I would ask the Board to consider in-detail with the ARC their plans for contraction in line with the allocations recommended for later years so that the Board is aware in formulating their advice to me for 1984/85 and 1985/86, of what science would have to contract or cease and of any insuperable problems facing the ARC. I am glad to note that the Board will be considering the implications of the recommendations in the ACARD Report on Food Technology that a Food Directorate should be established within ARC.

One aspect in particular continues to exercise me. I am aware, from a number of sources, that the Research Councils are having to reject a proportion of applications from universities for research grants that they would regard as being of alpha quality and would wish, if possible, to fund. Perhaps this has been the

MFJ

cc WO
LPO
PG
CWO

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4 November 1982

Thank you for your letter of 3 November about your Secretary of State's proposed Parliamentary statement on the allocation of initial teacher training places which the Prime Minister has now seen and approved.

I am sending a copy of this letter to the recipients of yours.

TIM FLESHER

Mrs I Wilde
Department of Education and Science.

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

FROM THE SECRETARY OF STATE

2 PPs
1. Mr Rickett
2. Pire Muster
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3/4

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3/4

T Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

3 November 1982

Dear Sir,

INITIAL TEACHER TRAINING: ALLOCATION OF PLACES TO INSTITUTIONS

I am writing to let you know that my Secretary of State is proposing to make a Parliamentary statement by means of a Written Answer on Monday 8 November on the allocation of initial teacher training places to institutions for 1983, 1984 and 1985. This follows the period of consultation initiated on 6 August when provisional allocations were announced. (My letter to you of ... 5 August refers.) I attach a copy of the draft statement.

The final allocations differ from the provisional proposals in a number of respects: the main changes are that initial teacher training should continue at the Polytechnic of North London, Bishop Grosseteste College and Newman College and that postgraduate training for secondary art teachers should continue at Leicester Polytechnic.

I am copying this letter and enclosures to the Private Secretaries to the Secretary of State for Wales, the Lord President, the Paymaster General and the Chief Whip.

Yours ever,
Imogen Wilde

MRS I WILDE
Private Secretary

To ask the Secretary of State for Education and Science if he has yet reached final decisions about the allocation of entry targets in 1983, 1984 and 1985 to institutions concerned with initial teacher training in England and if he will make a statement?

SIR KEITH JOSEPH

In May the Secretary of State for Wales and I received advice from the Advisory Committee on the Supply and Education of Teachers about the initial teacher training system. We were grateful for the care with which the Committee examined the issues and the clarity with which they set out their recommendations. We accepted the Committee's conclusions that there should be a rapid expansion of admissions to primary training in 1983, 1984 and 1985, accompanied by a reduction in entry to secondary courses. We proposed, subject to satisfactory translation into institutional terms, that total planned entries to initial teacher training in England and Wales should be reduced from 20,200 in 1981 to 15,200 in 1983, 16,300 in 1984 and 16,900 in 1985. These proposed totals were distributed between undergraduate and postgraduate courses, and between the university and publicly maintained sectors. The University Grants Committee is considering the allocation of intake targets to individual universities. In relation to public sector institutions in England my Department made provisional proposals on 6 August subject to a period of consultation with institutions and other interests. I am grateful to institutions and their maintaining authorities or voluntary bodies for their cooperation during this period.

I have now decided that the allocation of intake targets to public sector institutions in England should be as set out below. These decisions differ from the provisional proposals in a number of respects, principally that initial teacher training should continue at the Polytechnic of North London, Bishop Grosseteste College and Newman College, and for the training of secondary art teachers at Leicester Polytechnic. The Secretary of State for Wales and I have concluded that there should be consequent changes to the

overall entry targets for the public sector in England but not for Wales or the universities. Total planned admissions for England and Wales will now be:

		1983	1984	1985
Primary BEd:	Universities	250	250	250
	Public Sector	5100	5900	6200
Primary PGCE:	Universities	400	500	600
	Public Sector	1150	1350	1550
Secondary BEd:	Universities	250	250	250
	Public Sector	1600	1600	1600
Secondary PGCE:	Universities	4250	4250	4250
	Public Sector	2650	2650	2650
Total:	Universities	5150	5250	5350
	Public Sector	10500	11500	12000

Note: BEd includes other undergraduate courses leading to qualified teacher status and similarly PGCE includes other one year courses.

In concluding that there should be a further increase in primary intakes we took into account that the projected demand for primary teachers justified this, that ACSET had recommended expansion as rapidly as was compatible with the maintenance of good quality and that institutions have since shown a willingness to do more than ACSET's best judgment at the time. We have accepted this but the decision is subject to review in two years' time in the light of actual recruitment levels.

My Department has written today to institutions. I recognise that these decisions may lead to some unavoidable redundancies among teaching staff. In this context I would call further attention to the Answer which I gave to the Question by the hon Member for on 4 November. Teachers aged 50 and over who lose their posts because of redundancy qualify for statutory minimum redundancy payments and for the existing premature retirement compensation terms. Those arrangements will continue to apply to all teachers. Additionally, because of the substantial reduction in advanced further education teaching (including colleges of education) that is expected over the next few years, I have decided to allow local education authorities and governors of voluntary and direct grant colleges in England and Wales discretion to offer improved terms to teachers aged 41 to 49 in advanced further education for the period of the academic years 1982 to 1985. The new maximum payment will be 66 weeks' pay, subject to age and length of service.

SUMMARY OF THE DECISIONS

1. a. Initial teacher training will cease at the following institutions:

Huddersfield Polytechnic
North East London Polytechnic
North Staffordshire Polytechnic
Teesside Polytechnic
Thames Polytechnic
Dorset Institute of Higher Education
New College Durham
North Cheshire College
Liverpool College of Higher Education
De La Salle College

- b. In agreement with the Manchester Local Education Authority initial teacher training presently at Manchester Polytechnic and the City of Manchester CHE will be concentrated on the Polytechnic.
- c. In agreement with the Derbyshire LEA initial teacher training at Matlock CHE and Derby Lonsdale CHE will be merged.
- d. In Liverpool the LEA's initial teacher training will be centred on Liverpool Polytechnic but the final allocation provides for the transfer of some of the City of Liverpool CHE's present initial teacher training to the Polytechnic.
- e. Leicester Polytechnic will continue to offer postgraduate training for secondary art teachers but will cease other forms of initial teacher training.
- f. In due course a significant centre of teacher education and training should be built up in the North East: its location and size will be determined later.

2. Details of the allocations to institutions are set out in the following table.

Public Sector Institution	1983 Sec. Allocation	1983 Prim Allocation	1984 Sec. Allocation	1984 Prim Allocation	1985 Sec. Allocation	1985 Prim Allocation
POLYTECHN						
1. BIRMINGHAM	115	95	115	100	115	105
2. BRIGHTON	195	120	195	135	195	140
3. BRISTOL	95	110	95	135	95	150
4. KINGSTON	30	100	30	115	30	130
5. LEEDS	160	95	160	115	160	120
6. LEICESTER	50	-	50	-	50	-
7. LIVERPOOL	170	50	170	50	170	50
8. MANCHESTER WITH MANCHESTER CHE	257	165	257	190	257	210
9. MIDDLESEX	130	75	130	100	130	110
10. NEWCASTLE	65	80	65	95	65	95
11. NORTH LONDON	20	70	20	70	20	70
12. OXFORD	-	115	-	135	-	150
13. PORTSMOUTH	-	75	-	90	-	95
14. SHEFFIELD	155	110	155	145	155	160
15. SOUTH BANK	60	70	60	80	60	80
16. SUNDERLAND	50	60	50	70	50	80
17. TRENT	95	150	95	180	95	180
18. WOLVERHAMPTON	90	55	90	55	90	55
19.						
20.						
TOTAL	1737	1595	1737	1860	1737	1980

Public Sector Institution OTHER MAINTAINED ESTAB'TS	1983 Sec. Allocation	1983 Prim Allocation	1984 Sec. Allocation	1984 Prim Allocation	1985 Sec. Allocation	1985 Prim Allocation
AVERY HILL	147	110	147	125	147	140
BATH CHE	125	120	125	130	125	130
BEDFORD CHE	95	60	95	70	95	70
ILKLEY	20	135	20	135	20	140
BRETTON HALL CHE	95	55	95	70	95	75
BULMERSHE CHE	30	150	30	155	30	160
CHARLOTTE MASON	—	90	—	105	—	110
CHELMER IHE	—	95	—	110	—	110
CREWE, ALSAGER CHE	130	100	130	120	130	135
EDGE HILL CHE	47	175	47	200	47	220
HERTFORDSHIRE CHE	30	135	30	160	30	185
HULL CHE	40	75	40	75	40	80
MANCHESTER CHE	See Manchester		Polytechnic			
MATLOCK WITH DERBY LONSDALE	10	115	10	130	10	145
NENE COLLEGE	—	90	—	125	—	140
N. RIDING CHE	—	110	—	125	—	130
ROLLE COLLEGE	15	120	15	130	15	145
W. MIDLANDS CHE	40	95	40	110	40	125
WORCESTER CHE	100	70	100	85	100	85
TOTAL	924	1900	924	2160	924	2325

Public Sector Institution	1983 Sec. Allocation	1983 Prim Allocation	1984 Sec. Allocation	1984 Prim Allocation	1985 Sec. Allocation	1985 Prim Allocation
VOLUNTARY COLLEGES						
BISHOP GROSSETESTE	-	90	-	120	-	120
CHESTER	20	90	20	110	20	110
CHRIST CHURCH	52	120	52	140	52	155
DERBY LONSDALE	See	Matlock				
GOLDSMITHS	225	140	225	155	225	160
HOMERTON	92	110	92	130	92	130
KING ALFRED'S	77	125	77	160	77	165
LA SAINTE UNION	-	140	-	165	-	180
LIVERPOOL IHE	90	170	90	190	90	215
NEWMAN	-	90	-	120	-	120
RIPON & YORK ST JOHN	58	130	58	140	58	150
ROEHAMPTON IHE	157	300	157	365	157	390
ST MARK & ST JOHN	50	60	50	60	50	65
ST MARTIN'S	92	90	92	110	92	125
ST MARY'S T'HAM	105	60	105	70	105	70
ST PAUL & ST MARY	89	115	89	130	89	135
TRINITY & ALL SAINTS	85	65	85	100	85	110
WEST LONDON IHE	87	105	87	125	87	130
WEST SUSSEX IHE	60	105	60	120	60	125
WEST HILL	10	50	10	75	10	90
WESTMINISTER	35	80	35	100	35	110
	1384	2235	1384	2685	1384	2855

10



Prime Minister
Education

(2) cc. 87.

A good speech
, I believe.

Treasury Chambers, Parliament Street, SW1P 3AG

ms 27/10

Imogene Wilde
Private Secretary to
Rt Hon Sir Keith Joseph MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
London SE1 7PH

27 October 1982

Dear Imogen

... The Chief Secretary is speaking at Carmel College tomorrow evening on the subject of private education. I attach a copy of his draft speech. I would be grateful if you would let me have any comments by close of play today. He intends to issue the speech to the press.

Yours sincerely

J.Gieve

JOHN GIEVE
Private Secretary

cc M. Schlar (No 16)

It is a strange paradox that never have the opponents of private education been so vociferous, yet never has the case for it been so strong. In education, as in health, the arguments, both social and economic, for sustaining and enlarging the scope for individual and community initiative are in my view overwhelming. In saying that I am in no way denigrating the role of the state education system or the NHS. But I do claim that as a country we gain enormously from the voluntary efforts of private citizens to supplement what the state makes available and to provide an alternative to it.

To make good that claim it is first necessary to establish the facts about private education, if only to drive away some of the myths. There are more than 2,500 independent schools in Britain today at which more than 550,000 pupils are educated. They do not fit into any stereotyped category. They are not all or most, "public schools", not do they seek to be - though, of course, many of the greatest and most distinguished are. In fact, three out of every four pupils in independent schools are day pupils, not boarders. They cater, as does this school, for a galaxy of tastes and backgrounds. Above all, the schools are not just bolt-holes for those who wish to get out of the state sector. Many of them cater for very particular needs and beliefs and some of them are specifically designed for parents who wish their children to be brought up in a distinctive religious tradition. A country that forbids or discourages parents from educating children in their own religious faith is one which has abandoned any entitlement to be described as a free society.

Happily, however, the independent sector of education is so diverse and flourishing that it has all the characteristics which we would expect of a well functioning market. The sadness is that the private sector is, all too regrettably, in practice the only area of education in which market forces fully operate. Because it is the customer, that is the parent, whose choice is sovereign, the values and priorities which parents, rather than the state, have are those which predominate. That is why the independent sector of education has seen so little flirtation with modish techniques of teaching which sensible parents would not even contemplate. It is why self-discipline and the values of good citizenship are instilled, not through special courses but through instinct and tradition, in so many private schools. And, above all, it is why the pursuit of excellence, both academic and non-academic, rather than egalitarian social engineering, remains the supreme objective of independent schooling.

There can be no doubt about the quality of the achievement. The 17 per cent of Britain's sixth formers who are in independent schools gain no less than 25 per cent of all the "A" level passes. Indeed, such is the resentment at these successes felt in some quarters, that the threat has been made to penalise universities which admit a "disproportionate" number of students from independent schools. The view is widely propagated, though thankfully far from widely accepted, that independent schooling for the minority works against the majority's interests.

How wrong such arguments are. And how dangerous. For private education does not harm, rather it assists the effectiveness of

education through the state. It does so financially. The $\frac{1}{2}$ million or so pupils in independent schools would cost taxpayers about £500 million a year to educate through the state system. And fees from overseas pupils in independent schools annually earn our country about £40 million. Moreover, the capital cost of the state's taking over the independent schools would be in the region of £1 $\frac{1}{2}$ billion. The financial case for independent education is, therefore, unanswerable.

But what is of even greater importance is the fact that private education has undoubtedly helped the state sector through pressure to keep up standards. The allegation that independent schools effectively "cream off" the most able children from state schools is quite wrong. More than half the independent schools do not select children by ability in any case. And those that do take only a small fraction of the total number of very able children. Moreover, the spur of competition with the private sector is not just something which impinges on the most academically successful state schools. It works through the whole educational system, exerting pressure for improvement at every level.

There is no need, therefore, to be at all defensive about independent schools. Their role should be encouraged, for the sake of the community as a whole, and we shall seek where we can to build bridges between the private and the state sectors. That is why I consider that among the most significant achievements of this government have been our initiatives to extend the opportunities for private education in good schools to gifted children from poorer families. We lifted the restriction on

Local Education Authorities taking places at independent schools. And we introduced the Assisted Places Scheme which is giving well over 4,000 pupils in 220 schools the chance of an education otherwise denied them. I am delighted that Carmel has been taking pupils under this scheme for the last two years. By retaining the charitable status of independent schools, which our critics would remove, we continue to encourage children from less well off families, enjoying bursaries and scholarships, to have the same opportunity. The strongest argument for an education voucher scheme, under which parents might be able to send their children with government assistance to private schools, is that it would further that process.

But by far the most important argument of all for retaining and expanding private education in the interests not just of those who directly participate in it, but in the general interest, is that of freedom itself. It is no mere chance that so many of the self-proclaimed opponents of private education have, in other fields, proved themselves enemies of freedom in a broader sense. Private education is the last bastion against totalitarianism. That is why Nazi Germany forbade it. It is why the totalitarian dictatorships East of the Iron Curtain do so now. And it is why the Universal Declaration of Human Rights, adopted by the United Nations in 1948, and the First Protocol of the European Convention on Human Rights, firmly proclaim the sanctity of parental choice in education. A state which abrogates to itself the unique right of educating its citizens' children is taking the most effective and first step towards totalitarianism.

Private education guarantees the freedom not just of those who receive it but of society. No matter how benign its objectives,

the state and those who work for it can ultimately, with more or less impunity, hope to use education as a tool of political and social change. Examples from Left or Right through the years are legion. And we today should also remember that the range of denominational and other schools which exist alongside the state system, and which enjoy some funding through it, would be all the more vulnerable if fully independent schools were closed. The experience of trying to influence let alone change or reverse the decisions of bureaucracies in education or in any other field are all too well known. But individuals and communities which look to themselves and each other, not to the taxpayer, for succour establish their own priorities and enact their own decisions. And while even 6 per cent of British schooling is private, somewhere the customer is king and so the rest of us are less likely to be slaves.

Yet 6 per cent is a very low figure indeed. If the size of the independent sector of education were to increase, that would be for the benefit of us all - not because anyone could possibly wish to destroy or supplant the state sector, but because it is central to our philosophy that choice should, whenever possible, be enlarged. Recent opinion polls show just how widespread support for private education is. In June, for example, MORI found that 76 per cent of those questioned opposed the ending of independent schooling. We can reasonably hope that upon this secure basis of support, independent education, left to itself, will readily survive. But our task, as a society, I believe, must be to go further and to create conditions which do not just permit independent education to survive, but rather encourages it to prosper.



Education
JL B

10 DOWNING STREET

From the Private Secretary

9 August 1982

Thank you for your letter of 5 August about initial teacher training, which the Prime Minister has seen and noted.

I am sending a copy of this letter to the Private Secretaries to the Home Secretary, the Secretaries of State for Northern Ireland, Scotland and Wales, the Lord President, the Chief Secretary, the Paymaster General and the Chief Whip.

TIM FLESHER

Mrs Imogen Wilde,
Department of Education and Science.

JL



Department of Education and Science

Elizabeth House, York Road, London SE1 7PH

Telephone 01-928 9222

FROM THE SECRETARY OF STATE

T Flesher Esq
Private Secretary
10 Downing Street
LONDON
SW1

Prime Minister:

This will
cause a fuss!

5 August 1982

s/s.

Dear Jim,

INITIAL TEACHER TRAINING

... I enclose a copy of the letter which my Secretary of State has recently sent to Dr Butler, Chairman of the Advisory Committee on the Supply and Education of Teachers. The next step is for the global figures for initial teacher training students to be translated into targets for individual institutions. It is proposed to inform colleges of their provisional intake targets for 1983-85 at the end of this week, giving them until the middle of September to comment: the final figures will be issued in October.

Under the provisional allocation of places initial teacher training would end at 14 polytechnics and colleges in England. As a result, some of the institutions might well close. At others, some non-teacher training courses might also be discontinued. These changes will form part of the contraction of higher education already announced but will nevertheless be painful for the institutions concerned. Inevitably there will be considerable publicity and approaches to Members from institutions in their constituencies.

My Secretary of State is writing separately to H Committee colleagues about the redundancy implications of these changes and other reductions in the local authority teaching force. In the meantime my Secretary of State thought it desirable to warn you and copy recipients of the probable public reaction to the provisional figures for individual institutions.

I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Secretaries of State for Northern Ireland, Scotland and Wales, the Lord President, the Chief Secretary, the Paymaster General and the Chief Whip.

Yours ever,
Imogen WildeMRS I WILDE
Private Secretary



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Dr C C Butler
Chairman
Advisory Committee on the Supply
and Education of Teachers
Elizabeth House
York Road
LONDON
SE1 7PH

26 July 1982

Dear Dr Butler,

1. You wrote to the Secretary of State for Wales and to me on 19 May, enclosing advice from the Advisory Committee on the Supply and Education of Teachers on the initial teacher training system. Nicholas Edwards and I are grateful for the care with which the Committee has examined the issues and the clarity with which you set out your conclusions.
2. We agree that the demand figures set out in your Table 1 provide a reasonable basis for planning the development of the initial training system. We also agree that there are unavoidable uncertainties in the projections, and that it will be important to monitor the position so that account can be taken of new data as they become available. This may be particularly important in the case of wastage rates or the extent to which vacancies are filled by new entrants and re-entrants respectively to the teaching profession. We therefore welcome your proposal to review the position in detail in two years' time.
3. We accept the Committee's recommendations for the growth of training for primary teaching, so far as their implications for entries to training in 1983, 1984 and 1985 are concerned. In our view the proposed distribution between BEd and PGCE courses, and between the university and publicly maintained sectors, is also acceptable, subject to satisfactory translation of the total figures into institutional terms. It is important that this task should be completed as soon as possible so that the institutions and providing bodies can develop their plans accordingly. The Departments will therefore now seek, in co-operation as appropriate with the UGC, the NAB, the providing bodies and the institutions themselves, to establish target figures for the intake to primary training courses in individual institutions for these three years. We hope that this task can be completed before the end of October.
4. The Committee's recommendations for secondary training provision have caused us more difficulty. We agree that the supply

of new teachers for secondary schools cannot be kept exactly in line with demand year by year for the reasons that the Committee has given. We nevertheless believe that it should follow demand more closely than the Committee envisaged, and that it can do so without depriving appointing bodies of the reasonable range of choice on which the Committee rightly laid stress. Taking into account the Government's overall plans for higher education, within which initial teacher training is encompassed, it would not in our view be right to allow the output of teachers substantially to exceed demand and teacher training, in consequence, to absorb an unduly large share of the total resources available for higher education.

5. We have considered separately the changes that should be made in provision for secondary BEd courses and secondary PGCE courses. We have concluded that, given present recruitment to PGCE courses and the need to strengthen subject expertise within the schools, it would be appropriate for a proportionately greater reduction to fall on BEd provision, and that the total intake to BEd and comparable undergraduate courses of academic and professional training in 1983, 1984 and 1985 should be limited to 1750 rather than the 2250 recommended by the Committee. This would represent a reduction of some 35% from the actual entry of 2750 in 1981. We recognise that this will in practice mean that secondary BEd provision will in the main be restricted to certain specific subject areas in which its contribution is especially important. The university provision of secondary BEd courses is small in scale, with an intake of about 250 in all; significant cuts can therefore be applied only in the public sector. We envisage that the public sector intake should be reduced to 1500.

6. In the case of secondary PGCE courses we consider that a 25% reduction in total planned intakes is needed, rather than, as proposed by the Committee, a continuation of the 20% reduction we decided last year should apply to the 1982 intake. We have considered how this reduction should be applied to the university and public sectors in the light of the Committee's observations on this point. Our conclusion is, bearing in mind the overall effects of the changes in both primary and secondary training in the two sectors, that the entry targets for the years 1983, 1984 and 1985 should be 4250 for the universities and 2650 for the public sector. As with primary intakes, our decision on these figures must be subject to their satisfactory translation into target figures for individual institutions. The Departments will also be setting this work in hand immediately, and again we hope that the task can be completed before the end of October.

It may be convenient to set out here, in tabular form, the target intake figures which result from these conclusions. They are:

		1983	1984	1985
Primary BEd	a.	250	250	250
	b.	4800	5600	5900
Primary PGCE	a.	400	500	600
	b.	1100	1300	1500
Secondary BEd	a.	250	250	250
	b.	1500	1500	1500

Secondary PGCE	a.	4250	4250	4250
	b.	2650	2650	2650
Total	a.	5150	5250	5350
	b.	10050	11050	11550
Total	a. + b.	15200	16300	16900
		(a) Universities	(b) Public Sector	

8. We have studied with interest the possible illustrative increases in the scale of provision which the Committee has proposed on educational grounds for our consideration. We note that the Committee would give priority to increased provision for release for in-service training. As you will recognise these proposals raise wider issues in both educational and expenditure terms. Movement in this direction would not be precluded by our present decisions relating to the supply of teachers.

9. We have noted with interest, and welcome, the Committee's proposals for future work, though you will understand that I cannot give any guarantee in advance about the availability of resources to match whatever the Committee may advise. We believe it is too early to take a firm decision on the possibility, raised by the Committee in the light of the demand figures, of a planned net transfer of teachers from secondary teaching to primary teaching in the late 1980s. Nevertheless we should be glad if the Committee would include in its programme the more detailed work it has proposed on possible arrangements for such a transfer and if this work could include examination of possible refresher courses for re-entrants to primary teaching. We also consider it particularly timely for the Committee to prepare advice on ways in which initial training courses might be improved, and are glad to know that your work on this has in fact already begun. Advice on this subject early in 1983 could be of importance for those institutions planning new courses for that and subsequent years as a consequence of the new target figures for intakes to initial teacher training courses.

Yours sincerely,

Ken Joseph

5 AUG 1982

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Education

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PRIME MINISTER

Teacher Training Grants

for discussion in the Committee

The attached paper by Sir Keith Joseph proposes that the Department of Education and Science should grant aid in-service teacher training and the training of mature people as teachers of shortage subjects. The purpose of this initiative is to fill a gap in the teaching of subjects like mathematics (you will remember the report of the Cockcroft Committee), physical science, crafts, design and technology. He proposes to earmark some £3 m existing provision for 1983/84, but will press for this to be made good in the autumn decisions on the 1983/84 round.

23 July, 1982.

HLE

RM



cc: Mr HONE
Mr MOWBR

10 DOWNING STREET

From the Private Secretary

7 July, 1982

Thank you for your letter of 6 July enclosing a draft message for the Prime Minister's approval for inclusion in the leaflet 'Micros for Primary Schools'. The Prime Minister is content with the arrangements you propose and with the message and I return herewith the message duly signed by Mrs Thatcher.

I am sending a copy of this letter to Nick Cornwell (Department of Education and Science).

(TIM FLESHER)

N M McMillan, Esq
Department of Industry

dfj



MICROS IN PRIMARIES LEAFLET

MICROS IN PRIMARY SCHOOLS

I am delighted to announce a scheme giving pound for pound support to primary schools buying a microcomputer package. I hope this scheme will mean that, by the end of 1984, every primary school has its own microcomputer and will be giving young people the experience they need with the technology of their future working and daily lives.

Last year I announced a similar scheme for secondary schools - this is proving a great success with more than 80% of the maintained and independent schools in the United Kingdom already taking part. This new primary scheme, covering some 27,000 schools, will again be run by the Department of Industry and will be open from 1 October this year.

The Government attaches great importance to equipping young people to take up the challenge and opportunity offered by technological developments and I know schools and Local Education Authorities are keen to respond. We know how enthusiastically and skillfully young children can use technology in problem solving and as an aid to learning across the curriculum. Our future prosperity as a nation depends upon encouraging this enthusiasm to flourish from the earliest days at school.

Schools and Authorities can choose from three packages of equipment which have been selected on grounds of technological and educational merit with the help of teachers and advisers,



in close liaison with the Education Departments. Each package will include training material to assist teachers get started in the classroom. As well as helping young people develop their skills and understanding in technology, the scheme will stimulate the positive development of the microcomputer industry in this country, including the software industry.

I know schools and Authorities will welcome this scheme and respond enthusiastically to it.

Margaret Thatcher

MARGARET THATCHER

PRIME MINISTER

Guidance to the UGC

ms

You may be interested to glance at Sir Keith Joseph's letter to the Chairman of the University Grants Committee setting out the Government's approach on major issues of university policy. The letter covers:

- (i) The level of the grant in 1983/4 and 1984/5;
- (ii) The changes in direction in particular towards science and technology underlying the UGC's allocation of grant in 1981 and 1982. Sir Keith invites an appraisal by the UGC of how the changes are being implemented in the universities;
- (iii) Scientific research;
- (iv) Recruitment of good quality staff;
- (v) Student numbers;
- (vi) Teacher education;
- (vii) Medical education;
- (viii) Relations between universities and other higher education professions and in particular on consultation between the UGC and the National Advisory Body for Local Authority Higher Education (NAB);
- (ix) Longer term spelling out of the Government's intention to take more responsibility for determining priorities affecting the broad character of the allocation of resources to the universities.

JF.

DRAFT LETTER FROM THE SECRETARY OF STATE TO DR PARKES

1. When I visited the Committee with Mr Waldegrave on 29 April I said that I hoped to let you have shortly a letter which would offer some guidance about the Government's view on several matters of current interest, and which would also seek the Committee's advice on a number of questions relevant to future Government policy for the universities and higher education generally.

2. Mr Bird's letter of 27 April gave you, as I promised, the earliest possible indication of the Government's plans for the financing of the universities in Great Britain beyond the 1982-83 academic year. I can now confirm that what the Government at present have in mind for the universities is, in cash terms, recurrent grant of around £1180m in 1983-84 and of around £1240m in 1984-85, compared with £1137m in 1982-83. Pay and price increases will, of course, have to be accommodated within these figures. As with all planned public expenditure, the figures are provisional and are subject to review in the course of future public expenditure surveys. The Government's intention underlying these figures is that the grant for 1983-84 should complete the period of contraction planned in Cmnd 8175 and that the level of grant provision then reached should be maintained in 1984-85. Our ability to achieve this will, of course, crucially depend upon the performance of the economy and on universities' success in controlling their costs.

Principles and priorities

3. Following the Government's decision to make a lower level of resources available for the universities, our general objective must be to achieve a university system which is able to operate effectively at that level, while as far as possible preserving and enhancing that which is most valuable in the present system. I therefore commend the principles underlying the Committee's allocations of grant in July 1981 and

May 1982. Namely:

- a) that reductions should be applied selectively in the context of subject provision across the country as a whole;
- b) that appropriate guidance should be given to universities to help in the restructuring of provision;
- c) that the restructuring should involve a change in the distribution of students towards the natural sciences and technology.

In planning for the lower level of funding proposed the Committee have rightly tried to strike a balance between protecting scholarship across the whole range of university subjects, and seeking to enhance the contribution which the universities make to commerce and industry and the production of wealth.

4. I should welcome an appraisal of the universities' responses to the Committee's proposals and of how the restructuring process is progressing following the Committee's further discussions with universities. It is essential that the universities should maintain and develop the capacity to respond positively and speedily in terms both of structure and staffing to changing national needs. I endorse the reference in your letter to universities of 20 May to the importance to the vitality of the universities of being able to initiate and sustain new developments in teaching and research. I should be glad to receive the Committee's views on what the priorities in the universities should be in specific areas of science and technology which are or may be of particular relevance to industry. I welcome in this context the Committee's recent decision to earmark funds for developments in biotechnology and would encourage further initiatives of this nature where specific needs are identified. The Committee will also no doubt wish to give particular attention to the demands for manpower

and research that are likely to contribute to and be generated by our economic recovery, and I am glad that they intend in the next academic year to study the need for and the contribution that ought to be made by post-experience vocational education, whether in the form of short courses or of part-time undergraduate and postgraduate studies, to enhance the skills and update the knowledge of those in employment. In formulating their views on these matters the Committee should feel free to consult as appropriate other bodies with a major interest in the relevant areas, for example, the Engineering Council.

Research

5. In scientific research I support the Committee's declared aim of seeking to sustain their share of the dual support system, so as to enable universities to provide both for a basic level of research activity and for a research floor capable so far as possible of putting to good use monies available from the Research Councils and elsewhere. The report of the Joint Working Party of your Committee and the Advisory Board for the Research Councils is relevant here: its advocacy of selectivity in funding is in line, I understand, with the Committee's own practice and intentions.

Staffing

6. Concern that the limited opportunities for recruitment of staff will deny universities a sufficient supply of young able people to ensure the continuing vitality of teaching and research is widely shared. I would hope that the Committee will give particular attention to the present situation and to what might be done to secure improvements and will give me explicit advice on this in due course.

Student numbers

7. The Committee have given the universities student number targets to be

achieved by 1983-84 or 1984-85. These are important both in terms of bringing about the desired change of emphasis in favour of science-based subjects and also to protect the capacity of the universities to undertake research and to provide teaching of high quality. The Committee are aware that the targets they have set have been incorporated into the Government's plans for expenditure on student awards, and that the Department need to be kept in touch with any proposed changes. But the degree of uncertainty about the total number of students in higher education as a whole is such that the adoption by the Government of these targets for planning purposes does not mean that there is no scope for subsequent amendment of student number targets by the Committee in a relatively modest way when, after consultation with a university, the Committee believe that there is a good case for such a change and resources permit it.

Teacher education

8. The Secretary of State for Wales and I are studying the views of the Advisory Council on the Supply and Education of Teachers on the demand for primary and secondary teachers in England and Wales during the rest of the decade. In the light of our consideration of these views we may wish formally to offer guidance to the Committee on the provision that should be made for teacher training in the universities. In the meantime I welcome the connections between the Committee and the Council, both between you and Dr Butler and through cross-membership with your Education Sub-Committee.

Medical education

9. The Government have recognised that current financial constraints are likely to delay for several years achievement of the established annual entry target of 4080 for medical schools in Great Britain. The Government welcome the fact that the Committee have provided universities with funds to enable

the medical school entry nationally to exceed 3,900 in the 1981-82 academic year and hopes that this level may be at least maintained in future years. As you are aware, a detailed statement on medical manpower is contained in the Government's response to the fourth report from the Social Services Select Committee in the 1980-81 session, published as Cmnd 8479.

10. The Government have accepted the UGC's view that they were no longer able to include in recurrent grant to universities funds to enable them to offer to clinical medicine the protection it had hitherto enjoyed. The Health Ministers and I hope that the Committee will continue to stress the need, within the long-standing arrangements for uncosted mutual assistance, for early and continuing discussions locally between universities and health authorities on how best to reconcile reductions which may have to be made in clinical academic staff with the need to maintain clinical services. This is particularly important in medical specialities where a high proportion of services to patients are provided by clinical academic staff. We are also concerned that the medical schools should try to maintain their contribution in specialities which have more recently become the concern of academic departments and thus may not be well established. We are of course currently considering together the recommendations of the First Report from the Social Services Committee (Session 1981-82) on university

funding and medical services.

Relations with higher education outside the universities

11. Successive Governments have been conscious of the value of the overall view of university higher education possessed by the Committee, and contrastingly of the lack of any corresponding view of the rest of higher education and, in consequence, of higher education as a whole. You have commented on a number of occasions on the difficulties for your Committee, when planning provision within the universities, of not being able to take proper account of what is happening outside them.

To fill the major part of this gap the Government have now established for England the National Advisory Body for Local Authority Higher Education (NAB) and have announced the intention to set up a similar body for Wales. In Scotland the Secretary of State is currently considering the recommendations of the Council for Tertiary Education on the structure and management of public sector higher education

The Council's recommendations include the setting up of a body to oversee the whole system, to determine the allocation of funds among constituent authorities and colleges and to liaise with your Committee on course provision.

12. In setting up the NAB Ministers sought only the minimum level of formal cross-representation between your Committee and the NAB. I should now like to invite you and Mr Ball, Chairman of the NAB Board, to consider together, as the new machinery evolves: how co-operation and the exchange of information between the Committee and the NAB can best be pursued in the interests of providing the best advice to your Committee, the NAB and me; and prospectively how best the complementary roles of the two sectors of higher education are to be defined and developed. It will be helpful too to draw the Welsh into these discussions as soon as their

Body is established and to forge links with any new body that might be established for Scotland. I hope that the Committee and the advisory bodies will do all that they can to foster mutual co-operation and the exchange of information. For Northern Ireland the Secretary of State has already sought your

advice and involvement in new arrangements for the structure and co-ordination of higher education in the Province.

13. I am conscious that however much planning may be done at a national level it cannot reduce the need for discussion and co-operation with other institutions locally if the most effective use is to be made of staff, buildings and equipment. I hope that the Committee will therefore continue to encourage universities positively to seek increased co-operation with other universities, polytechnics and other institutions of higher education of all types.

The longer-term

14. The adjustment at present being required of the universities is making substantial demands on all involved. I hope however that it will now be possible to look further ahead to the sort of higher education provision we need to meet the challenges of the next few years and into the 1990s, giving substantive consideration to questions like: the length and intensity of courses; the balance between undergraduate, taught postgraduate and research provision, and between initial and post-experience provision; subject balance; institutional relationships; the role of non-UGC funding, both governmental and private; and the overall scale of university provision. I hope that amid the many pressing concerns which beset your Committee they may find time to think about how such a view of higher education in the future might be developed and about the contribution which the Committee, within their particular responsibility for the university sector, might make to this process.

15. In this connection, you will be aware that I have both privately to you and the Committee and publicly before select committees expressed the view that it might be appropriate for Ministers to take more responsibility than they have hitherto for determining priorities affecting the broad character of the allocation of resources to the universities. The Committee are of course uniquely placed to assess and advise on the needs and capacities of universities both in relation to education and to the research base. But the main thrust of policy for the universities must take due account of policy for higher education as a whole, and of national social and economic policies; and at this

level there will be some strategic decisions for which it would be appropriate for Ministers to take explicit responsibility and to answer to Parliament. To this end there must continue to be close dialogue between Ministers and their officials on the one hand and the Committee, their Chairman and officers on the other, so that the Government have the benefit of the Committee's advice on the needs of the universities and that in their own deliberations the Committee are informed of the Government's views of requirements and priorities.

Specific judgements about allocations between institutions must, of course, continue to be made by the Committee.

16. Although as a general rule our dealings are confidential, I believe it would be conducive to helpful public debate about the future of higher education and the universities for this letter and your Committee's responses to it to be published, and I am so arranging for this letter.

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FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212
SWITCHBOARD 01-212 7676

6401

Prime Minister:

Kenneth Baker's Office

Tim Flesher Esq
Private Secretary to
The Prime Minister
10 Downing St
Whitehall

Agree to draft message
for the "Micros for Primary
Schools Scheme" leaflet on
the same basis as that for
secondary schools?

6 July 1982

Dear Tim,

TF
6/7.

Thank you for your letter of today's date advising us that the Prime Minister has agreed to announce the Micros for Primary Schools Scheme during her visit to Havant on 16 July.

When the Prime Minister launched the similar scheme for secondary schools last year, we were able to include a message from her in the leaflet describing the scheme (copy enclosed). We would be very pleased if the Prime Minister could agree to do the same for the Primaries leaflet. In the hope that this idea will be acceptable, I enclose a draft message which has been approved by Mr Baker. We would also like a picture of the Prime Minister and a copy of her signature to accompany the message.

I would be grateful if you could let me know whether the Prime Minister is content with these arrangements. We need to get copy to the printers by 8 July in order to have the leaflet ready in time and I would be very grateful if you could let me know by then.

I am copying this letter and enclosure to Nick Cornwell (DES).

Yours ever

N M McMillan

N M McMILLAN
PRIVATE SECRETARY

M49/M49ABV



ALL INDIA





Department of Industry



Micros in Schools Scheme

Pound-for-pound aid
for secondary schools
buying a microcomputer



Britain's greatest natural asset has always been the inventive genius of our people. This is the asset which we must tap if we are to profit from advances in technology. In microelectronics and Information Technology, we must do everything to encourage and train people with the ability and skills needed to design systems, write software and develop new businesses and products.

We must start in our schools. The microcomputer is the basic tool of Information Technology. The sooner children become familiar with its enormous potential the better. At present only some schools have microcomputers. That is why the Department of Industry has introduced its 'Micros in Schools' scheme. This scheme, closely linked with the Education Departments' Microelectronics in Education Programme, is the first in a series of initiatives which the Government is taking to ensure that Britain stays with the leaders in the rapidly growing Information Technology market.

I urge schools and Local Education Authorities to take advantage of the Department of Industry scheme. I hope that schools who are willing to do so will be supported by their parent/teacher associations.

Margaret Thatcher

'This country's future trading performance will depend greatly on its ability to compete in world markets for products and services based on Information Technology and on the rapid and effective application of such products and services by industry and commerce generally.

'The development, production and application of Information Technology are all constrained by a substantial, or even critical, shortage of people trained in the skills needed for IT. Suppliers and users are experiencing a shortage of people with the ability and training to design systems and

write programs. The speed at which technology is advancing makes this problem particularly acute.'

Advisory Council for Applied Research and Development: Report on Information Technology, 1980.

Schools and Information Technology

Education is about the future and a nation's future prosperity depends on the quality of education of tomorrow's work force. Children entering schools now will still be active towards the middle years of the twenty-first century. During their lives they will probably have experienced technological changes even more far-reaching than those of this century. No individual, household, company, or occupation will have been left untouched. Patterns of employment will have changed and today's children are virtually certain to have been re-trained more than once for the new jobs which each technological advance will generate.

If the opportunities offered in tomorrow's world are to be accepted, an essential part of education in schools will be familiarity with the use and application of computers.

Already microelectronics and its widespread applications have entered our lives; electronic games and calculators are in nearly every home. At work, the microcomputer is being used increasingly for the control and operation of industrial machines. The Government is actively encouraging industry, trade and commerce to accept and exploit the new technology. The Department of Industry, for example, is just embarking on the second phase of a highly successful national programme to promote the use of microelectronics throughout the manufacturing sector.

There is, however, a growing awareness of the possibilities offered by the application of microelectronics in every aspect of the handling, storing, processing and dissemination of information. The first signs of this revolution in 'Information Technology' are already showing: cash dispensers outside banks, transaction terminals in shops, the design and equipment of modern electronic offices, satellite communications, new publishing and printing techniques, Prestel and Teletext are becoming increasingly familiar. At the heart of all of these activities is the computer.

Schools also are being affected by Information Technology. One of the most exciting aspects of modern education is the emergence of the

microcomputer as a teaching aid and there can be little doubt that it will soon be a familiar feature in every classroom. Developments such as this are leading to an extension of the teaching and learning process at a personal level. Interactive programs are now becoming available which will allow children to learn at their own pace and own time. A new keyboard generation is growing up, nursed on pocket calculators and electronic games. For these children using number and letter keys and buttons will be as natural as writing; visual display units as familiar as books; electronic scratch pads as necessary as jotters.

Familiarity with microcomputers will enable children to work with programs covering all subjects, not just the sciences; to develop their own programs to hold information, make calculations, solve problems and discover new applications. Children will then have a better understanding of the

Pupils of Long Road Sixth Form College, Cambridge, with Prime Minister Margaret Thatcher and Kenneth Baker, Minister for Information Technology, at the Micros in Schools Scheme launch.

IT YEAR – 1982

An intensive Government / industry initiative to promote the advantages of the new technology will be made throughout 1982 – which has been designated 'Information Technology Year'.

Information Technology is defined as the acquisition, processing, storage, dissemination and use of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications.

In launching the year Kenneth Baker, Minister for Information Technology, said 'IT is the fastest-developing area of industrial and business activity in the Western World. Its markets are huge and its potential for increasing efficiency immense. Without doubt it will be the engine of economic growth for at least the rest of the century. Britain's economic prosperity depends on the success with which we manufacture its products and provide and exploit its services. This is the message that must be got over to everyone in this country – the general public and school children, as well as industry, trade and commerce'.

world in which they live, be better provided with the skills required by industry, and better prepared to undertake the retraining and acquisition of new skills which will be necessary to meet the changing needs of the future.

In order that schools may lay the foundations for an understanding of microelectronics technology and its applications, the Government is taking steps, through a £10M Microelectronics in Education Programme, to help

teachers acquire the skills and educational material, including the software and computer awareness, needed for the computer to be used as an aid to teaching and learning. Complementary with this Programme, the Department of Industry is taking steps to help schools acquire some of the essential hardware to assist them in giving their pupils practical 'hands-on' experience of microcomputers.

The Scheme

To encourage the widespread use of microcomputers in teaching and learning, the Department of Industry – under its 'Micros in Schools' scheme – is making funding available to Local Education Authorities to help all secondary schools to purchase a micro-computer and so enable their pupils to have 'hands-on' experience. The aim of the Department of Industry proposal, which came into operation on 1 June 1981, is that by the end of 1982 all secondary schools in the UK will have a microcomputer.

The scheme applied initially only to those secondary schools without a microcomputer, but it has been extended from 1 January 1982 to include also those secondary schools which already possessed such equipment when the scheme started.

This initiative links with the Microelectronics in Education Programmes of the Education Departments, and together these actions should enable schools to better prepare pupils to take advantage of the wide range of opportunities which are arising from developments in microelectronics and Information Technology.

The scheme is open to any maintained or independent secondary school in the UK.

One microcomputer per school is eligible for support and in each case the Department of Industry will contribute half of the cost of the microcomputer package, matching on a pound-for-pound basis funds provided locally. LEAs will be responsible for finding the local contributions and it will be open to them to invite schools, PTAs and local industry to assist in raising funds.

Details of the two micro-computer packages covered by the Department of Industry proposal, their cost and the maximum Department of Industry funding available in each case are set out later in this brochure.

To ensure that sensible use is made of the hardware provided, a condition of Department of Industry support is that two teachers from every school applying under the scheme have undertaken, or are about to undertake, a period of suitable in-service training in the use of microcomputers in education.

Schools wishing to know more about the scheme should get in touch with their LEA who will have particulars of the procedure for submitting applications.

Independent secondary schools (except in Scotland) should apply through the National Computing Centre, Oxford Road, Manchester M1 7ED; those in Scotland should apply through the Scottish Microelectronics Development Programme.

Details are also available on Prestel Page 20404.



The microcomputers covered by the Scheme

Under the scheme, schools will have the choice of one of two microcomputers, the Research Machines RML 380Z and the BBC Microcomputer from Acorn

Computers. Both are British designed and built; both enable the user to buy additional hardware and other attachments so that, as required, the scope and

capacity of the basic machine can be increased. Details of the two microcomputer packages and the maximum amount of Department of Industry support available are:

Further information about this scheme should be addressed to:

Industry/Education Unit
Department of Industry
Ashdown House
123 Victoria Street
London SW1E 6RB
Tel: 01-212 6119/0681/5196

General information on Government support and initiatives for Information Technology is available from:

Department of Industry
Information Technology Division
29 Bressenden Place
London SW1E 5DT.
Tel: 01-213 6526.

Research Machines Ltd Microcomputer Package

Total package price:
£1,680 + 15% VAT
(reclaimable by the LEA)

Maximum Department of Industry funding available: £840

Hardware:
RML 380Z: Z80A microprocessor, 32K RAM, 4K ROM, dual double-sided single density mini-floppy disc drives (2 x 144K).

Parallel interface and serial interface.

High resolution graphics and monochrome UHF modulator for graphics.

12" monochrome monitor.

3 blank mini-floppy discs.

Software:
CP/M disc operating system.
Extended Basic version 5.
Text editor with formatter.
Z80 assembler.

Also full documentation for hardware and software.

Further details from: Research Machines Ltd., PO Box 75, Mill Street, Oxford OX2 0BW



Acorn Computers Ltd Microcomputer Package

Total package price:
£260 + 15% VAT
(reclaimable by the LEA)

Maximum Department of Industry funding available: £130

Hardware:
BBC Microcomputer (6502 microprocessor, 16K RAM, 32K ROM).

High resolution graphics.

12" monochrome monitor.

Cassette recorder/player.

Software:
BBC Basic.
6502 assembler and operating system software for all internal hardware options.

Also full documentation for hardware and software.

Further details from: Acorn Computers Ltd., 4A Market Hill, Cambridge CB2 3NJ





DEPARTMENT OF EDUCATION AND SCIENCE

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TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

T Flesher Esq
10 Downing Street
London
SW1

5 July 1982

Dear Tom,

GUIDANCE TO THE UGC

I enclose for information a copy of a draft letter of guidance to the Chairman of the UGC which my Secretary of State has today circulated to other Ministers most closely concerned. Subject to any comments which they - or the Chairman himself who has also been sent a copy of the draft - may raise, it is proposed to send the letter to arrive before the UGC's next meeting on 15 July and then release it to the press.

Yours ever,
Imogen Wilde

MRS I WILDE

PART 2 ends:-

S/S DES to S/S Env 7.6.82

PART 3 begins:-

DES to TF 5.7.82

