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CABINET

EDUCATION AND LOCAL AUTHORITY CURRENT
EXPENDITURE IN 1981-82

Memorandum by the Chief Secretary, Treasury

1. At Cabinet last week (CC(80) 30th Conclusions, Minute 7) we agreed I should discuss further, with the Secretaries of State for Education and Science, the Environment, Scotland and Wales, my proposals for savings on the education programme in 1981-82, and to report. I and the other Ministers have been unable to reach agreement, and I now ask Cabinet to resolve the issue.
2. We have two agreed aims: (a) to keep the public expenditure total for 1981-82 within the Cmnd 7841 figure as reduced by the European Community receipts, and (b) to announce a 2 per cent reduction in total local authority current expenditure between 1980-81 and 1981-82. In order to achieve (a), I still consider that we need a net cut of £50 million in the total education programme in England (£87 million gross allowing for the loss on school transport). In order to achieve (b), we need at least a £28 million net (£67 million gross) reduction in total local authority current expenditure in England and Wales from the levels agreed so far, and I propose that that cut should be made on education (£63 million gross in England, £4 million in Wales).
3. The Secretary of State for Education and Science has offered a reduction of only £45 million gross on his total programme, ie about £8 million net, made up as follows:

CONFIDENTIAL

fm 1980 survey prices

Local authority current, relevant
for Rate Support Grant:

Advanced further education	10	
Other (village halls etc)	5	
	—	
		15

Central government, and l.a. other:

Universities	10	
Student awards	10	
Schools, capital	5	
Higher education capital	5	
	—	
		30
		—
		45

In order to protect current spending on schools, he proposes that only £15 million should come off his local authority current expenditure, resulting in a net increase in such expenditure of about £22 million. This would mean an overall net reduction in local authority current expenditure in England and Wales between 1980-81 and 1981-82 of only 1.6 per cent.

4. The Secretary of State for Education and Science has suggested that the needed reduction in local authority current expenditure should not be on education alone. I attach a table covering both England and Wales, demonstrating the consequences if, concentrating for the moment solely on our second agreed aim, we either make the cut on education (columns 4 and 5) or spread it pro rata over all services except law and order (columns 6 and 7).

5. I do not recommend the second course. The education programme would still have to take a much bigger gross cut than the Secretary of State has yet offered, and some programmes would need to be cut even though we have reason to think that the local authorities will overspend rather than underspend on them (personal social services and local environmental services). Moreover, the Secretary of State for the Environment has made it clear to me that he would wish to reconsider his agreement to contribute a cut of £65 million on housing to our first aim ((a) above) if the proposed cut of £87 million gross is not made in the Secretary of State for Education and Science's programme.

CONCLUSION

6. I invite Cabinet to agree that:

i. the total education programme in England in 1980-82 should be reduced by £50 million net (about £87 million gross); and

ii. within that figure, local authority current expenditure on education in England in 1981-82 should be cut by at least £26½ million net (about £63 million gross), with a corresponding reduction in Wales.

J B

Treasury Chambers

29 July 1980

IN ENGLAND AND WALES

£ million, 1980 survey prices

	1980-81	1981-82					
	RSG settlement	survey baseline	plus school t'port loss	Cut in education		Cut in all services except law + order	
	(1)	(2)	(3)	(4)	(5) = (4)-(3)	(6)	(7) = (6)-(3)
Education (including school meals + milk)	6703	6544	6583 ^ø	6516	-67*	6544	-39
Arts and Libraries	223		211	211	-	210	-1
Personal social services	1246		1273	1273	-	1265½	-7½
Police	1512		1569	1569	-	1569	-
Administration of justice	162		163	163	-	163	-
Fire	391		378	378	-	376	-2
Highways and transport	1123		1076	1076	-	1069½	-6½
Housing (non HRA)	55		50	50	-	50	-
Local environmental ser- vices	} 1896 }		1586	1585	-1 [✓]	1575½	-10½
Agriculture			6	6	-	6	-
Industry, Energy, Trade, Employment			90	90	-	89½	-½
Other public services			128	128	-	127	-1
TOTAL	13311	13074	13113	13045	-68	13045	-68
Percentage difference from column 1		-1.8%		-2.0%		-2.0%	

* Gross of school transport. The reduction of £67 million divides as £63 million to England and £4 million to Wales. The cuts in column 7 would divide similarly.
[✓] Arterial drainage. ^ø School transport loss about £39 million: £37m in England and about £2m in Wales