J

PRIME MINISTER

Richard Ryder asked me personally to advise you on how you might reply to this letter from John Barnes of Kent, and I attach a draft of the sort of reply you may wish to send.

Perhaps I should take this opportunity of letting you know that John Barnes' letter to me (which he copied to you) is not the only indication we have had that the Shire Counties are already finding it extremely difficult to maintain their existing standards of education service, partly as a result of Rate Support Grant redistribution. Many authorities, like Kent, are spending less on education than they were some years ago, despite rising numbers of pupils in secondary schools and further education.

X Janet Young and I are very concerned about this, particularly since some of our colleagues seem to have the impression that expenditure on education has risen in real terms over the past few years, while pupil and student numbers have been falling. In fact the reverse is the case: in 1978-79, total expenditure on education was slightly less in real terms than it was in 1973-74, despite the fact that there was a marginal increase in the number of pupils and students. Janet and I would be very willing to come and discuss with you the problems facing the education service, if you feel it would be of assistance.

Mark Carlisle.

MARK CARLISLE
20 June 1979

PRIME MINISTER

(20/6) This minute from Mr. Carlisle asks (at X) that he and Lady Young should meet you to discuss spending on education. I attach at Flag A a copy of Mr. Carlisle's letter to the Chief Secretary setting out in a little more detail the problems he foresees. He would like the meeting to take place before Cabinet takes public expenditure on 12 July.

If you agree, this could perhaps be arranged for 1600 hours on 5 July, after Questions. I understand that CPRS have some comments to offer on public expenditure aspects of the education programme, and I will arrange for these to be provided as briefing.

MAP

Agreed. But let me have the Red Book (details of departmental expenditure) so I can talk with the Treasury MPs.

29 June 1979

The Prime Minister wd like to see the Chief Secretary before she sees Mr Carlisle. TARS.

DRAFT REPLY FROM THE PRIME MINISTER TO MR JOHN BARNES

Thank you for your letter of 5 June.

The Government felt that it would not be right to raise school meals charges too sharply when that would have had a direct effect on prices at a time when inflation is one of our chief concerns. We realise of course that this decision did not make any easier our task of cutting public expenditure down to size and that the Shire Counties, which have been hard hit by Rate Support Grant redistribution in recent years, are not finding it easy to manage. Mark Carlisle sent to Michael Heseltine a copy of your letter of 25 May, and Michael will of course take account of your very valid points on rate support grant distribution.

As I am sure you appreciate, our overall strategy is to switch resources from the public to the private sector and this inevitably means that all Departments have to play their part. We must all do our best both in central and local Government to repair the damage that has been done to the economy as a whole by the failure of the previous Government to control public expenditure.

JT

CONFIDENTIAL

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

R 1966

The Rt Hon John Biffen MP
Chief Secretary to the Treasury
Parliament Street
LONDON SW1

18 June 1979

Dear John.

PUBLIC EXPENDITURE SURVEY - OPTIONS FOR REDUCTIONS 1980-84

In accordance with the Cabinet's decision on 24 May, my Department have sent the Treasury a list of options for reductions in expenditure ... on education and science in 1980-84 in the prescribed form. I enclose a copy.

We shall discuss these options in Cabinet in July. But I think it would be helpful at this stage to outline some of the difficulties which we will face as we approach our consideration of these options. First, the context:

i. Total expenditure on education and science in 1978-79 was fractionally less than in 1973-74, despite the fact that the number of students and pupils overall increased, the increases being concentrated in students and older pupils, whose unit costs are necessarily significantly greater than those of younger pupils, whose numbers have been falling.

ii. The plans we have inherited from the last Government (Cmnd 7439) provided for an increase of just over 2% in expenditure on education and science between 1978-79 and 1982-83 - only half a per cent a year. In this period, it is true, the numbers of pupils of statutory school age will be falling; but this will be offset by projected increases in the numbers of pupils over 16 and in the numbers of students in higher and further education.

Second, there is a major political dimension. As we said in the Queen's speech, it is central to our policies that standards should be maintained and, wherever possible, raised. I have inherited responsibility for an education service which has been considerably strained and disrupted, not least by the actions of our predecessors, and which looks like not being able to maintain its present rather patchy standards without a good deal of prompting and help from the Government. It contains many areas where there are inefficiencies and shortcomings.

CONFIDENTIAL

Certainly we must look critically to see how we can make the education service more cost-effective. But because of the way in which the service operates in practice large cuts within the next three years would not I believe, have this effect but would result in a catastrophic decline in educational standards, and lead to a major confrontation with teachers and local authorities. It would furthermore have a disastrous impact on our supporters, particularly those in Shire counties, many of which have been subjected to a drastic squeeze in recent years by means of the Rate Support Grant distribution system, with consequential reductions in the level of their service.

Cuts of this order would indeed have a profound effect on the whole of the educational service. I shall give just one example: it would mean the closure of well over one million school places nationally between now and 1981. This is the equivalent of over 2,000 places in each constituency - including 3 or 4 complete schools. And the damage to British science would be permanent.

Given my constitutional and financial relationship with local authorities and teachers, the many policy initiatives which I want to pursue for raising educational standards - for example on examinations and the curriculum - cannot succeed without the cooperation of the authorities and the teachers. I just do not see how this cooperation can be secured while drastic money cuts are working their way through the system with the damaging result for service, and the confidence and morale of those who run it, which I am sure would in practice arise.

Let me make it clear that I am certainly willing to play my full part in trying to secure the reductions in public expenditure to which we are committed. But we must be realistic in considering the practicality of what we are proposing.

I would very much like to discuss this basic problem and its implications with you before these matters go to the Cabinet.

I am sending copies of this letter and of the enclosure to the Prime Minister, Michael Heseltine, George Younger, Nicholas Edwards and Humphrey Atkins.

Yours ever

Mark

MARK CARLISLE

OPTIONS

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Department of Education and Science

£m 1979 Survey Prices

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
1. Cmnd 7439 revalued	8048.1	8232.5	8355.2	8394.9	8451.7	8449.0	N/A
2. Survey baseline	8048.1	8232.4	8354.9	8402.6	8460.7	8457.8	8457.7
3. Budget cuts etc	-	-	97	-	-	-	-
4. Options for reductions	-	-	-	630	1060	1510	1530
5. Line 4 as % of line 1				7.5	12.5	17.9	18.1
6. Additional bid	-	-	-	-	40	55	55

Notes

1. In the table current expenditure (including that on mandatory awards) is for England and Wales. Capital expenditure is England only. Expenditure on the universities and science is for Great Britain.

2. The main change between lines 1 and 2 arises from a planned increase in expenditure on mandatory awards to compensate parents for the elimination of child tax allowance.

3. The Budget cut amounted to £55m for expenditure controlled by central Government. The effect of the cash limit squeeze on the Department's vote expenditure is estimated to increase this to £97m. The effect of the planned cut in RSG for local authorities on education expenditure cannot be accurately determined at this stage but, taken with the effect of increased prices, could well be at least as much again.

Options for Reductions: Programme 10

	Reductions £ million 1979 survey prices			
	1980-81	1981-82	1982-83	1983-84
EDUCATION				
Schools				
1. Halve planned expenditure on under 5s	70	100	110	115
2. Halve expenditure on school transport from September 1980	40	60	60	60
3. Halve expenditure on school meals and milk by 1982-83	70	125	200	200
4. Double the planned rate of closure of school places and in addition:				
a. reduce the teacher force by 1982-83 to 10% below the strength needed to maintain present educational standards in the schools;				
b. abandon the planned expansion of induction and in-service training; and				
c. reduce non-teaching costs in schools by 1982-83 to a level 5% below that needed to maintain present standards	100	200	400	400
5. Eliminate all school building except basic need*	30	50	50	50
Schools and further education				
6. Introduce tuition fees (means-tested) for 16-18 year olds in schools and further education: £300 a year full-time, pro rata for part-time courses, from September 1980	90	100	130	130
Higher and further education				
7. Cut back and freeze expenditure on higher education at 1977-78 levels*	50	100	150	150
8. Cut back and freeze expenditure on non-advanced further education at 1977-78 levels	20	50	80	85
9. Reduce building programmes by half*	10	25	35	35

	Reductions £ million 1979 survey prices			
	1980-81	1981-82	1982-83	1983-84
10. Charge full cost fees to all overseas students in further and higher education from September 1980*	65	100	100	100
11. Harsher policy for the awards system from September 1980*	30	50	40	40
12. Cut expenditure on the Youth Service by $7\frac{1}{2}$ -$12\frac{1}{2}$ -$17\frac{1}{2}$ - $17\frac{1}{2}$ percent below the present level	5	10	15	15
13. Cut planned expenditure on adult education by half.	15	20	20	20
Inspection and Administration				
14. Cut expenditure on administration and inspection by $7\frac{1}{2}$ - $12\frac{1}{2}$ - $17\frac{1}{2}$ - $17\frac{1}{2}$ per cent	15	35	50	50
Baseline savings				
15. As identified in paragraph 22 of Chapter 10 of the 1979 PESC Report Part I	-	-	20	30
SCIENCE				
16. Reduce grants to Research Councils by $7\frac{1}{2}$ - $12\frac{1}{2}$ - $17\frac{1}{2}$ - $17\frac{1}{2}$ per cent*	20	35	50	50
TOTAL	630	1060	1510	1530

Notes

*includes later-year effect of Budget cuts (which is, in all cases, small in relation to the effect of these individual options).

1. Most of the options for education assume the co-operation of local authorities in their implementation. Under present legislation, this cannot be guaranteed. The following commentary identifies those options where other specific legislation would be needed.

2. The costings have been calculated as far as possible on the assumption that the complete range of options would be implemented. The figures are subject to variation for individual options implemented on their own.

Commentary on options

Schools

1. This would exclude some 250,000 young children from (mainly part-time) schooling. It would also cause hardship for many one-parent families and families with mothers at work. Physical accommodation in nursery and primary schools would lie idle. Many of the 10,000 fewer teachers would be made redundant. If it were decided to introduce charges to alleviate these effects, legislation would be needed this session.

2. This would imply charges or a severe curtailment of the scope of the service. It would cause hardship for children and families particularly in rural areas where parents living at a distance from schools have presssed for a reduction in the statutory walking distance. There might well be a reduction in school attendance. Legislation in the current session would be needed.

3. This would destroy the school meal service as it exists today. Either it would limit the provision of the conventional school meal to certain areas or categories of pupils; or it would mean the introduction in all schools of a limited choice snack system. A substantial proportion of the 300,000 staff (mainly part-time) would in either case become redundant, and the use of midday supervisors would have to be reviewed. Legislation in the current session would be needed.

4. On average, over 2000 school places in each constituency (including perhaps 3 or 4 complete schools) would be closed. In addition:-

a. As pupil numbers fall there will be diseconomies of scale and an increase in unit costs is needed merely to maintain standards. As teacher numbers fall the average teacher will become more senior and his salary will rise. The option would lead to redundancies with over 50,000 fewer teachers than planned in 1983-84 (nearly 90,000 fewer than at present). This would mean larger classes, a reduction in the quality of the curriculum in primary and secondary schools, increases in the shortage of specialist teachers of mathematics, science and technology, and a further increase in the incidence of mixed-age classes in primary schools where standards are on average lower.

b. The option would involve abandoning plans to improve the quality of teaching, particularly in language and mathematics skills, and to provide induction support for new teachers.

c. There would be a further deterioration of buildings through inadequate repairs and maintenance, and redundancies of non-teaching staff. Provision for books and equipment, already at an unsatisfactory level, would be cut back still further.

5. No improvements would lead to a further deterioration in the stock of school buildings. A recent assessment of Her Majesty's Inspectorate has highlighted the present poor condition and unsuitability of many school buildings.

Schools and further education

6. This would turn the clock back to 1918 when tuition fees in maintained schools were finally abolished. Fees are not at present charged for 16-18 year olds in further education to maintain parity of treatment with schools. There would be a sharp contraction in the number of students remaining in full-time education after 16 and a restriction of educational opportunities particularly for poorer families. Legislation in the current session would be needed.

Higher and further education

7. This would mean holding the numbers of students in universities (including the Open University) and polytechnics at or below their present level at a time when both the numbers in the relevant age-group and the proportions qualifying for higher education are still increasing. The proportion of the 18 year-old age-group entering higher education, already low in comparison with other industrialised countries, would fall below the level reached in 1967-68. There would be a brake on all new appointments and no opportunity to appoint young teachers and research workers thus reducing the quality of scholarship and learning.

8. This represents a reduction in volume terms of some 14% in non-advanced further education (excluding adult education), leading to a contraction of vocational education in all areas. Opportunities for both school leavers and those already at work to take courses with a view to employment or re-employment would be curtailed and the supply of skilled manpower especially at technician level would be at risk.

9. Part of this reflects the lower number of places needed in non-advanced further education if Option 8 is implemented. In higher education a reduced programme would hold up plans in universities and polytechnics to provide for a more effective use of buildings.

10. Fees for overseas students, increased by over 30% this year would be more than doubled. There would be strong reactions from student and race relations bodies in this country, and heavy criticism from overseas governments, and especially from the EEC, differential fees being contrary to agreed EEC policy. Either the cost of bursaries offered by the FCO would increase or their numbers would have to be reduced.

11. This would mean the elimination of the minimum maintenance payment of £300 to all award holders, a means test for the fees element (about £700) and an increase in the parental contribution of £70 per student. For some parents this would mean increased expenditure of over £1000 annually.

12. Facilities for 14-18 year olds in youth service, much of it run by voluntary organisations, would be sharply cut at a time when numbers in these age-groups are still rising.

13. Evening classes (at present providing for 2 million adults) would disappear in many areas - elsewhere charges would be doubled or trebled.

Inspection and administration

14. This would bring a cut in the number of inspectors and advisory staff at a time when the number is already inadequate to check standards.

Science

16. This cut (however it is applied) would do serious permanent damage to an essential activity in which Britain has the highest international standing. It is equivalent by 1982-83 to the whole of the grant-in-aid of the Medical Research Council.

Additional bid: Programme 10

	Addition £ million 1979 survey prices			
	1980-81	1981-82	1982-83	1983-84
Schools				
Assisted place scheme	-	40	55	55

The manifesto stated that "the Direct Grant principle will therefore be restored with an Assisted Places Scheme. Less well off parents will be able to claim part or all of their fees at certain schools from a special government fund". The details of the scheme are being considered for implementation (following the necessary legislation) in 1981-82. The scale of the bid matches the total cost of the last full year of the direct grant scheme updated to present prices.

10 DOWNING STREET

12th June 1979

Dear Mr Carlisle,

I am sorry to burden you with yet more work but I would be grateful if you could advise me how the Prime Minister should reply to this letter.

Yours Sincerely,

Richard

Richard Ryder
Political Office

The Rt Hon Mark Carlisle QC MP

Kent County Council Education Committee Springfield Maidstone ME14 2LJ

From: A J L Barnes
Chairman

Tel: Maidstone (0622) 671411

RR

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1

Rb

Enc

5th June 1979

Dear Margaret,

I was more than a little concerned to read in Sunday's Observer Adam Raphael's account of the Government decision to veto an increase in school meal charges. While I can see that it would be right not to abolish the school meals subsidy altogether, it really cannot be right to impose on a Local Education Authority like my own the burden of finding a sum like £13m each year when we have had to cut back on books, stationery and apparatus, maintenance and almost every other head of the budget apart from teachers in an effort to cope with the transfer of Rate Support Grant away from Counties like Kent to the Inner Cities. The combined impact of this transfer of Rate Support Grant and inflation has meant that the rate bill in Kent has had to rise by 132% in five years without any of the money thus raised being available for improvement in the services. Such improvements as we have been able to make, in our case to the teacher pupil ratio, have had to be done at the expense of already existing revenue commitments, and the education budget, even before some of the "improvements" were frozen this year was already running some £9m in real terms below the 1974-75 levels. Obviously, some of the savings made were the pruning of unnecessary fat and I should not wish to recover them. Equally obviously at a time when public expenditure has to be cut, and cut quite substantially, I would not wish to make any case in terms of "funny money". I am all too aware of the dangers of this form of budgeting. Nevertheless it does seem to me wrong to deliberately insulate one section of the education budget in the way that The Observer hints that the Government has done, and more particularly to do so at a time when the teachers' pay settlement is going to put the budget, so far as Kent is concerned, in a totally impossible position.

When I hear also apparently well authenticated rumours that fresh restrictions are to be imposed on Local Government expenditure which will fall evenly both on those authorities which, like Kent, have been constrained to become lean over the last few years, and on those who are still exceeding fat, my concern at having to safeguard £13m out of £194m becomes acute.

We were very critical in the Local Authorities of Shirley Williams and the last Government for kow-towing to the TUC on the issue of a sensible rise in the price of a school meal, and I know from my experience on the door step that most parents cannot understand why we spend so much on subsidising their children's meals when we spend so little on their books. After all, in Kent, nearly one fifth of our children already receive a free meal.

Obviously I have no way of knowing whether The Observer report is correct, and I hope very much that it is not. I was and am sufficiently troubled by it, however, to send you this note asking you to bear these facts in mind before any final decision is taken. Certainly it looks all too likely in Kent as if we may actually have to prune essential areas of educational spending if nothing is done to raise the school meals charge: indeed we probably will have to do so even were it to be raised. That is why I wrote to Mark Carlisle to urge that whatever else the Government did, it should at least put up that charge by something like 10p and I enclose a copy of my letter so that you can see my reasoning.

I am sorry to trouble you with this when I realise you have so many other pressing concerns but I think there is a very real danger of doing substantial damage to Education in authorities like my own which have already suffered from five years' rigid combing of expenditure.

Yours sincerely

John

I forebore to add to the many letters of congratulation that must have flooded in after your magnificent victory, but now that I have occasion to write, would like to add my own congratulations and good wishes.

From: A J L Barnes
Chairman

Mark Carlisle Esq MP
House of Commons
LONDON SW1A OAA

25thMay 1979

I had already drafted one letter to you expressing my concern about the possible effect of the teachers' pay settlement in combination with cash limits on the budget of Counties like my own, which have been the victims of extremely adverse Rate Support Grant settlements in recent years, when I read reports of the statements made by Geoffrey Howe and Michael Heseltine in the House of Commons. Obviously it is not yet clear exactly how, in practice, this new policy is going to be applied, and I may be jumping the gun in writing to you. However, I do hope that it is fully realised at Cabinet level that if this new (and in general welcome) rigour about local government spending is going to be applied with apparent impartiality across all authorities the results could not only be devastating for education in some of the Counties but will compound the unfairness of recent years. Since we are pretty sure that the current distributio of the Rate Support Grant has grotesquely distorted educational spending as between the Counties and the Inner Cities and since in part this move reflected partisan prejudice by your predecessors in office I hope very much that there will be some very careful reflection in the Cabinet about how to redress the balance before the threatened clampdown on local government spending is applied.

May I preface what I am about to say with two very general remarks. The first is that no-one in the Counties denies there are problems peculiar to the Inner Cities. What they question is whether the general grant mechanism is the right one to apply to treat those problems. In the education world it is pretty apparent to us that most of the Inner City Authorities have more money, as a result, than they know how to spend. Indeed ILEA was at one stage some £21m underspent on its budget and I know from my mother-in-law in Walsall that they were able to spend much more money on Health and Safety at Work than any Member of the Education Committee thought right. I think it possible to show you how this results in the national underspending on education that has been noted in recent years, and which has then been built into subsequent Rate Support Grant settlements. Put very simply, those Authorities which are in receipt of extra Rate Support Grant did not need to spend it on education and those who are losing grant year after year have to cut back on education in common with other services.

We have done some quite interesting research on this point in Kent. What makes matters still more undesirable is that the redistribution of grant to the Inner Cities tends to favour the Bromleys and Croydons of this world and not the Newhams!

Turning to Kent, in 1974-75 we used to receive 50p from the centre for every pound we spent: this year we received only 35p. Over the last five years we have lost well in excess of £30m in Rate Support Grant and our real level of spending on education is down by some £9m in real terms. Obviously many of the savings have been worthwhile, but others have been obtained only by deferring very necessary improvements to the service, by not redecorating the inside of schools and the like. To some extent the picture has been rendered more difficult by the fact that we were rather low in terms of teacher pupil ratio (largely for historic reasons) and we have had therefore also to find sums of money from other parts of the service to improve the level of staffing in our schools. The position has eased somewhat with declining primary rolls, but our secondary rolls have yet to turn down and the number of pupils staying on at school continues to rise. The increases in secondary numbers are of course at the expensive end of the scale so far as staffing is concerned. To have to make further cuts on top of those already made could only mean eating into the real meat of the service since we have already cut away what fat there was.

If I set Kent in a broader context some figures compiled by the Society of County Treasurers probably illustrate better than anything else what has been happening:-

	Kent	All English Non Metropolitan Counties (39)	Metropolitan Districts	London
	%	%	%	%
1. Rate Support Grant Needs Element - % increase from 1974-75 to 1979-80	36	46	75	107
2. Needs Element Grant per head - % increase from 1974-75 to 1979-80	34	43	78	118

At the same time as people have been moving out of London and the other Cities into the Counties, there has been a dramatic shift of resources in favour of the Cities. To cope with this redistribution and with inflation, Kent has had to increase the County Rate by 132% since 1974-75, the third highest increase of all the 39 English Non-Metropolitan Counties. When the rate Support Grant settlement for 1979-80 was announced your predecessor in office made great play on the claim that "expenditure on education could increase by rather more than 3.5% compared with the level achieved in the current year". We in Kent challenged this claim and it turned out that Mrs. Williams was referring to the two-year period from 1977-78 to 1979-80 and that she had used as her base the likely national out-turn for 1977-78 which, apparently, showed an underspending on education. I know that one can prove anything with figures but this was a most misleading statement and most certainly did not apply to Kent, where there was no underspending in 1977-78 and the true growth rate in 1979-80 of +0.2% was nowhere near sufficient to pay for increments and other on-going commitments, let alone allow for any real growth.

Coming back to our own situation in Kent we are already in great difficulties because of the uncertainty over the teachers' pay claim. Even at this late stage the County Council has been unable to finalise its budget for 1979-80 and a number of vital proposals including an improvement in the secondary pupil teacher ratio

and a very necessary boost for maintenance have been frozen until the results of the claim were known and assessed. Now on top of the pressure which the settlements may very well put on our already straitened Education budget, this may be compounded by action to reduce the total level of Rate Support Grant to improve the efficient use of manpower in the Local Government sector. Given the current distribution of resources, an Authority like ILEA will be able to take the blow with equanimity. By contrast, in Kent we shall find ourselves in extremely serious difficulties because of what we have suffered over the last five years. It seems to me that a rethink on the way in which rate support grant is distributed is urgently needed, with a view to changes being implemented in 1980-81. I do not deny that the Inner City areas have their problems but if these problems require an injection of cash it surely should not come from a redistribution from the Counties. I appreciate that the decision on the distribution of rate support grant is not yours to make but, clearly, the current anomalies are having a serious effect on the Education Service in Counties like Kent and any influence you can bring to bear on your Cabinet colleagues would be much appreciated.

I was going to suggest that one way of offsetting the effect of the teachers' pay settlement on the Shire Counties, which was within your own Departmental control, was to raise the charge for school meals. I certainly think that this is now essential since it is the type of economy in public expenditure which can be made without damage to the essential fabric of the service. I realise the TUC would raise an outcry but I do not think that you would find much real opposition from parents. There is already a substantial free provision at income levels which have been regularly updated. In addition most parents realise that for them all to be charged only half price for their children's meals is something of an unnecessary subsidy. The usual cry I find is that they would willingly pay more for their children's meals if they knew the money were going to go on teachers or books. In this instance I think you could say with perfect confidence that this would be the case. An increase in school meal charges of anything up to 10p would of course operate very directly on the other side of our budget and will go some way to offsetting the damage which otherwise might be caused by the long term consequences of the teachers' pay settlement and by any action which the Government currently has in prospect.

In the longer term, however, if we are to have action through the level of Rate Support Grant to try to squeeze local authority manpower, something with which I would not basically disagree, let us at least make sure that the distribution of grant between the Shires and the Inner Cities has been fairer and that it has not been distorted by attempts to make it serve purposes for which specific grant or other ways of Government help would be more appropriate.

I hope you don't mind me writing like this but I do feel it essential that the position in Authorities like my own is clearly understood.

Yours sincerely

John Bass