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D/MIN/TT/13/3

27 April 1981

*Dear Prime Minister*

BOARDING SCHOOL ALLOWANCE

I have seen your Private Secretary's letter of 16 April in which he asked for more background information for you. It might be helpful if I sketched out where we have reached.

Boarding School Allowance is provided to assist Service parents who wish to send their children to boarding schools in the United Kingdom rather than to the Army schools the Ministry of Defence provides at the larger overseas stations, or other local schools. Under the present arrangements, Servicemen may reclaim school fees, within limits which are adjusted regularly. The balance of the fees above the maximum allowance is intended to represent the Serviceman's contribution to the cost of educating his children, recognising that he has an element of choice. Many Servicemen effectively make this contribution but those using the cheaper schools, mainly (but not exclusively) the junior ranks, do not.

The position I found when I first came to this problem a few weeks ago, was that the Ministry of Defence had put evidence to the Armed Forces Pay Review Body three years ago on this subject. That evidence suggested a change in the

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The Rt Hon Margaret Thatcher MP

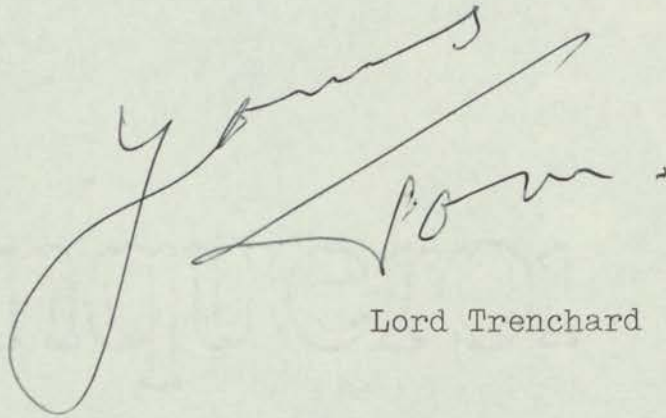
current basis of the allowance so that, in future, all parents would effectively make some contribution to the cost of their children's school fees. There was no question of any additional bureaucracy to "collect" the contribution. The allowance would simply be calculated as a fixed percentage of school fees, subject to a maximum allowance. In the transition from the present system to the new it was intended that full protection would be given to those who had already committed themselves to boarding school education for their children. The second element of the evidence suggested an increase in real terms in the maximum of the allowance over and above the annual increases which are anyway index linked. Some doubts were expressed within the Ministry of Defence, particularly by the Navy and also by the RAF, that this package would increase the total cost of the allowance. The cost estimates were based on a number of assumptions, some of which are debatable, but the evidence concluded that there would probably not be an increase in the total cost.

The Review Body have been sitting on this evidence ever since. They wanted to make recommendations this time round but first of all sought advice on whether the Government still endorsed the principles involved. This was put to me and I saw some difficulty with it. Even if there was to be no extra cost from the package, it did mean generally that we would give more money to the higher paid Servicemen while giving less to the lower paid. There was a clear risk that this would attract unwelcome criticism of the allowance. I am not saying that there was no case for a real increase in the maximum rate of the allowance, but that doing so at the same time as reducing the money at the lower end of the scale was unwise. The maxima will be increased with inflation anyway

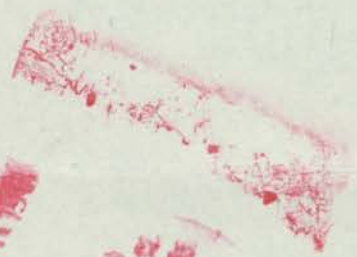
We therefore decided that we should ask the AFPRB to consider the question of a parental contribution on its own merits in the first instance, leaving the possibility of an adjustment to the maximum for the future. In the event, the

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Review Body has declined to consider the evidence piecemeal and has indicated that it regards the question as more appropriate for management. It therefore remains for us to decide to introduce a parental contribution now and, perhaps, to alter the maximum rates at some future point. These are decisions which we will have to take in conjunction with the Civil Service Department and I shall be writing to Barney Hayhoe in the next few days. In view of your interest, I will report to you before any final decision is taken. In the meantime, you may wish to send Tony Marlow a reply on the lines of the draft attached to my minute of 15 April.

A handwritten signature in cursive script, appearing to read 'Yours', followed by a large, stylized flourish that extends downwards and to the left, and another flourish that extends to the right.

Lord Trenchard



27 APR 1960



COMMUNICATIONS

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