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Prime Minister
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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

The Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury
Parliament Street
London
SW1P 3AG

MB

R/S April 1982

Dear Leon.

DRAFT PAPER FOR EXPENDITURE STEERING GROUP - EDUCATION

Correspondence on this issue rests on Michael Scholar's letter to my Private Secretary of 16 March, following my letters to you of 10 and 12 March.

I would not have written to you as I did on 10 March if I had seen any possibility of my proposals putting in question the primacy of cash planning. My concern is to do all I can to ensure that local authority expenditure on education is kept down to the cash figures in Cmnd 8494. I am clear that this cannot be done effectively without illustrating to the local authorities the degree of contraction (depending upon how pay and prices move) that the Government expect them to make in their education services, in terms that they cannot fail to understand. In doing this, and in discussion in the Steering Group, both my officials and Treasury officials will of course make clear that the cash figures are the policy, and that if pay and prices go higher, then the volume of activity will have to be curtailed.

I believe that planning in cash is wholly compatible with trying to make the plans effective by translating them into action on the ground. This is indeed the message of the remit for the various Expenditure Groups which has been agreed and circulated to the local authority associations. The remit asks the Groups to frame their reports in cash but also refers to "levels of service implicit in Cmnd 8494". I am encouraged to believe that you share this view when I see that the Treasury themselves are conducting the Chancellor's examination of long-term public expenditure prospects in terms of volume with RPE, just as they deal in manpower ceilings as well as in cash to impress upon Departments the Government's policy on the civil service.

is this correct?

On this basis I hoped that officials here and in the Treasury would be able to settle a paper for ESGE, whose meeting originally arranged for 18 March was postponed until a satisfactory paper could be prepared. In the event, despite a number of significant changes we have made in your direction, compared with the version which I sent to you on 10 March, this has not proved possible.

I really cannot see why the Treasury regard our approach, of illustrating the steps required to make a reality of the Government's cash plans, with full regard to the primacy of the cash figures, as "incompatible with the spirit of the remit" as their most recent letter says. I attach great importance to this - perhaps more than other Ministers concerned with local authority programmes - because it affects so large a proportion of my whole programme and I am much dependent on securing understanding of the Government's intentions if I am to bring local authority expenditure on education closer to our plans. I fear that a paper which gives no illustration of the required measures in illustrative volume terms will provide no basis for a constructive discussion.

For these reasons, I very much hope that you will agree that the approach in the paper in the form in which it now stands is compatible with the spirit of the remit and that it should be circulated for the meeting of ESGE on 23 April.

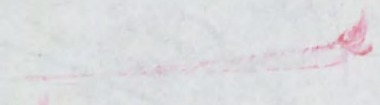
I am sending copies of this letter to the Prime Minister and Sir Robert Armstrong.

E. Evans

K. Kirk



8 APR 1962



CONFIDENTIAL

Prime Minister

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You asked for clarification
of this point (see papers
attached).

Treasury Chambers, Parliament Street, SW1P 3AG

M/S 21/4

Michael Scholar Esq
No. 10 Downing Street
London SW1

21 April 1982

Dear Michael,

LONG TERM PUBLIC EXPENDITURE PROSPECTS

You telephoned last week to ask for some clarification of the remark in Sir Keith Joseph's letter of 8 April to the Chief Secretary about the draft paper for the Expenditure Steering Group on Education that the Treasury were "conducting the Chancellor's examination of long-term public expenditure prospects in terms of volume with RPE".

It is indeed correct that the working papers for this exercise are at present being prepared in cost terms, without prejudice to how the outcome of the examination should in due course be presented to Ministers.

As to the latter, there are various possibilities, and the Chancellor and the Chief Secretary will be considering them. Perhaps the most useful would be to express the possible cost of individual expenditure programmes by the end of the decade in terms of a proportion of GDP. But it would also be possible to give the figures either in cash (with specified inflation assumptions) or in cost terms, which would eliminate the effect of general inflation in the economy.

The use of cost terms as, so to speak, the working language of the study reflects its essential purpose, which is of course wholly different from that of the annual public expenditure exercise. The latter is intended to produce control totals, expressed as the amounts of cash to be spent on the various expenditure programmes. The longer term exercise is not intended to produce any sort of control totals. Its aim is rather to illustrate, on a set of economic, demographic and other hypotheses (including changes in the relative prices of particular kinds of expenditure where these seem likely to be great) what public expenditure may be building up to in the longer term, assuming the present stance of Government policy towards particular programmes.

Yours sincerely

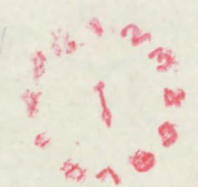
T F Mathews
T F MATHEWS
Private Secretary

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21 APR 1952



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