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SUBJECT ce MASTER



10 DOWNING STREET

From the Private Secretary

5 June 1986

Dear Jill,

EDUCATION CAPITAL RECEIPTS

The Prime Minister this afternoon discussed with the Lord President, the Chancellor of the Exchequer and the Chief Secretary proposals which had been made by Mr Baker for increased education expenditure.

During the course of this discussion the Prime Minister expressed strong support for proposals which would enable local authorities to use receipts from the sale of underused schools to increase their expenditure on school improvements and maintenance. The Chief Secretary explained that under the present legislation receipts from sale of schools could be used by local authorities for any capital purpose: they need not spend the money on education. Local authorities would find it difficult to spend the money in the year in which the receipt was taken in, and any change in the prescribed proportion for education would lead to increased pressure for changes in the prescribed proportion for other receipts.

The Chief Secretary undertook to consider whether a scheme could be devised which would encourage local authorities to dispose of under-used schools whilst ensuring that the receipts were spent for educational purposes. The scheme would also ideally give maximum incentive to local authorities to spend the receipts in the year in which they were received and could be restricted to new receipts.

It was recognised that such a scheme would require legislation. It would need to be considered in the context of the Public Expenditure survey.

When the work for this has been done I expect that the Prime Minister would welcome a further discussion with the Chancellor, the Chief Secretary and the Lord President to consider both the scheme and how it should be taken forward.

At this stage knowledge of this request should be confined strictly to the Treasury.

GA

I am copying this letter to Joan MacNaughton (Lord President's Office).

Joan,
David

(DAVID NORGRÖVE)

Miss Jill Rutter,
Chief Secretary's Office.