

PRIME MINISTER

EDUCATION

The arguments you might use with Mr. Baker include the following.

(i) For Mr. Baker to be given extra money for education now would look like a change of course. It would signal a change in the Government's attitude towards public spending and suggest that the floodgates were about to open.

(ii) Mr. Baker pressed last year for huge increases in housing expenditure. Now that he is at Education, is he saying that housing doesn't matter so much after all, or does he want lots more for that too? If so where does he think the money is going to come from?

(iii) It would give quite the wrong signal to the local authorities. The Reserve this year is £4½ billion. At this stage of the year it looks as though local authorities will be claiming over £3 billion of it, much of it for education (bearing in mind that education is half of local authority current expenditure).

(iv) The overspend on local authority capital this year was earlier put at £500 million. Now we expect the overspend to be £700 million. That will have to be revealed soon. How could the Government square announcement of an overspend of that size with more or less at the same time an announcement of an extra £30 million for education capital.

(Mr. Baker's figure of £500 million for education capital this year already includes an element of overspend. Education capital was 50% overspent last year.)

(v) There is no guarantee that allocation of more money for education capital would be spent on education.

The Treasury are doubtful that Mr. Baker has room within specific grant ceiling to spend an extra £45 million this year, even if he breaks the undertaking given by Sir Keith Joseph that the increased limit for specific grant taken through the House earlier in the year would only be used for meals supervision. But I do not suggest that you get into this with Mr. Baker: it is ground on which he is more secure than you will be.

You may like to see a note on local authority capital expenditure which the Treasury passed to me privately.

If there is time you could ask Mr. Baker how he is getting on with further proposals on reform of education. You wanted to talk to him about them before he circulated them for discussion.

*J. Bowers*

pp (David Norgrove)

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