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PRIME MINISTER

All outstanding differences have been resolved.

- (i) publication on 31 rather than 24 January.
- (ii) scope of MSC defined by example so that while in practice MSC concentrates on certain areas, there are no principles preventing it from moving into other areas.
- (iii) the two Ministers have agreed to go back to financial years. £65 million equals £110 million at an annual rate for the seven months of the 1985-86 academic year which fall in the 1985-86 financial year.

Content?

[Handwritten initials] *[Handwritten 'Yes']* *[Handwritten signature]*

16 January, 1984



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The Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON SE1

13 January 1984

Dear Secretary of State,

WHITE PAPER "TRAINING FOR JOBS": MSC AND NAFE

We met on Wednesday evening and reached complete agreement on all outstanding points. I am most grateful for your help in this.

I attach the text of this section of the White Paper as now agreed between us. It has been improved in a number of ways which will help presentation, particularly to the education interests. We also agreed that though the first year of operation will be the academic year 1985/86 funds should be transferred at a rate of £110m a year from the start, so that £65m would be transferred in the financial year 1985/86 and £110m in 1986/87.

We agreed that to leave you a clear field for the follow-up of your initiative on raising school standards it would be desirable to defer publication until Tuesday 31 January. I am now seeking the necessary clearances for this and our officials are drawing up details of the arrangements for our approval.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Scotland and Wales, the Environment and Trade and Industry, the Chief Secretary, MSC Chairman; and to Sir Robert Armstrong.

Yours sincerely

D. J. Morrison

/Approved by the Secretary of State
and signed in his absence/

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NEW ARRANGEMENTS WITHIN VOCATIONAL EDUCATION

42. If the important developments described in this White Paper are to be carried through successfully, public sector provision for training and vocational education must become more responsive to employment needs at national and local level. The public sector needs a greater incentive to relate the courses it provides more closely to the needs of the customer and in the most cost effective way.

43. The Manpower Services Commission, which consists of representatives of employers, unions and local authority and education interests, is now the main agency through which the Government institutes action and monitors progress in training. Since its establishment, and particularly in the last 3 years, the Commission has developed increasingly close relationships with the Education Departments, local education authorities and local colleges in implementing the new Technical and Vocational Education Initiative, the Youth Training Scheme and the Open Tech, as well as the longer established Training Opportunities Programme.

44. We have now decided to give the Commission important new responsibilities by enabling it to purchase a more significant proportion of work-related non-advanced further education provided by local education authorities. Non-advanced further education (NAFE) comprises the provision offered by local education authorities through Colleges of Further Education at qualification levels below degree, higher diploma, higher certificate and professional courses of equivalent level. The

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"work-related" NAFE referred to in this White Paper includes the technical and vocational courses (full and part time, including short courses and evening classes) offered by the great majority of Colleges. It does not include courses exclusively comprising 'O' and 'A' level examination work in non-technical subjects nor courses of the type which go traditionally under the adult education label.

45. At present, total expenditure on NAFE in England and Wales is about £1.2bn per annum, of which some £800m is devoted to provision that is work-related. The Manpower Services Commission itself currently spends about £90m as a customer direct or indirect, on NAFE courses or services. We have decided that the amount to be devoted by the Commission to such provision in England and Wales should increase to £155 million in the financial year 1985-86, and to £200 million in 1986-87. The intention is therefore that the MSC should by 1986-87 account for about one quarter of the total provision in this area. The resultant reduction in the need for local authority expenditure will be taken into account in settling the relevant rate support grants; the arrangements for this will be subject to consultation with the local authority associations through the normal consultative machinery.

46. In Scotland current arrangements for funding further education will remain unchanged while the major development programmes referred to earlier in this White Paper proceed.

47. Under the new arrangements in England and Wales the Commission will be responsible for ensuring that the increase in its resources is used to support vocational education and training at NAFE level closely geared to labour market needs. Decisions on what specifically should be supported in this way will be taken in consultation with the education service, employers and other interested parties. These decisions must reflect particular needs, especially at local level, and will change as the needs change.

48. We expect the Commission to give priority to provision for newly emerging skills, eg in electronics and robotics; to provision for occupations where traditional programmes no longer match modern industrial and commercial needs, eg some parts of business studies; and to arrangements for keeping courses and staff training up-to-date and relevant to work needs. It is envisaged that the great bulk of the resources, though not necessarily all, will continue to be spent within local authority colleges. The Commission will also want to take account of local authorities' own plans for expenditure on NAFE, and to maintain reasonable continuity of provision as regards both location and types of course. The lines along which this revised sharing of responsibility should operate will need to be developed further in discussion over the coming months with the precision needed for the consideration at national level of 1985/86 local authority expenditure.

49. The Commission is being asked as a matter of urgency to consider, consult and report to Government on appropriate machinery at both national and local level for carrying out its enhanced responsibilities. The Commission is also being asked to give attention to using, both at Head Office and in

the field, staff with direct experience in education: some secondments from local education authorities might be especially appropriate.

50. The statutory composition of the Commission itself, which includes two members appointed after consultation with local authority associations and one after consultation with professional education interests, will remain unchanged. Its members will continue to be appointed by the Secretary of State for Employment. In future appointments, however, the Secretary of State for Education and Science, in consultation with the Secretary of State for Wales, will be responsible for the necessary consultations not only on the representation of professional education interests but also of local authority interests in England and Wales, as the Secretary of State for Scotland already is in respect of Scotland.

51. The Commission will continue to report on the whole of its activities to the Secretary of State for Employment. The Secretary of State for Education and Science will be fully involved in the consideration and approval of the Commission's Corporate Plans and in proposals substantially affecting NAFE provision in England. Education Ministers will continue to exercise their statutory responsibilities for policy and standards in further education. The Commission will continue to report to the Secretaries of State for Scotland and Wales in respect of its Corporate Plans and programmes for Scotland and Wales.

52. The Commission is being asked to begin the necessary consultations immediately, so that plans can be settled in good time for the beginning of the 1985/86 academic year. It is our intention that educational interests, employers and other interested parties should be properly consulted and involved in the development of these important new arrangements.

13 JAN 1984

