



CBG
BLF with
Or comments per

PRIME MINISTER

MIDDAY SUPERVISION

I have seen a copy of Keith Joseph's minute to you of 21 October, and of Nigel Lawson's of 25 October.

He is proposing a new specific grant to enable education authorities to make alternative arrangements for lunch-time supervision.

I am generally opposed, certainly within the existing framework of local government finance, to the growth of specific grants. The overt encouragement they provide to increased spending on particular items is demonstrably at odds with our declared aim of restraining local authority expenditure in aggregate, and is bound to distort authorities' decisions on priorities. New specific grants are anathema to the local authority Associations. But if it is accepted that it is absolutely essential both to offer the authorities additional provision for lunch-time supervision, and to ensure that the extra resources are used for that purpose alone, I would not want to stand in Keith's way.

I have however one reservation. Keith proposes a permanent increase in the ceiling on the amount of expenditure qualifying for education support grants (ESGs) from 0.5 per cent to 1 per cent of planned local authority education spending in each year. This would mean that, once the grant for lunch-time supervision was discontinued, the scope for providing specific support for other new educational initiatives would be twice what we had originally intended. Meanwhile, one cannot yet be entirely confident that education authorities will generally be able to negotiate satisfactory alternative supervision arrangements. To the extent that they do not, the headroom for ESG for other activities would effectively be increased. For the reasons I have given, this would seem to me a highly undesirable outcome.

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I would much prefer it, therefore, if Keith were to provide in his Bill not for a permanent increase in the ceiling but rather for a power to raise it by order for any year to a level of between 0.5 and 1 per cent. The amount of any such increase would be a matter for collective decision each year. An alternative, if for any reason that suggestion were thought to be impracticable or undesirable, would be for him to give a public assurance that, at least pending the outcome of our specific grant review, whatever the level of expenditure on lunch-time supervision attracting ESG support in any year, he would not allow the amount of other educational expenditure qualifying for ESG to rise beyond 0.5 per cent.

On Nigel Lawson's minute, I would not want to rule out a start on the new arrangements, using the head-room within the existing ceiling on Education Support Grants in 1985-86, if Keith considered that to be possible administratively. It would of course be necessary for the aggregate of Exchequer grants to be increased accordingly: there could be no question of a reduction in the amount of block grant for the year. There would be a strong case, too, for the additional expenditure, net of specific grant, to be 'disregarded' for purposes of targets and holdback: otherwise, authorities would be penalised as a result of the unexpected imposition of a new spending requirement later on in the financial year. I do not however like Nigel's idea of imposing a new statutory duty on authorities. It is not clear to me what such a duty would entail, and there is a risk that it would be taken to imply a need for more elaborate and expensive arrangements than Keith has in mind. If we give the authorities the opportunity to establish new schemes, and the resources to go with this, they will be clearly accountable to their local electorate for any failure to take it up.

Copies of this minute go to the recipients of Keith's.

Rhys Jones

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K B

30 October 1985

(Approved by the Secretary of State in draft.)

EDUCATION : Teachers Pay Pt 5.

