

RESTRICTED



to DEN. 11 B/F 2/6

Caxton House Tothill Street London SW1 9NF
6460

Telephone Direct Line 01-213.....

Switchboard 01-213 3000

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON SW1

30th May 1986

Dear Chief Secretary,

TVEI EXTENSION

I am writing to seek your agreement to our extending TVEI from its present pilot phase to a full national programme beginning in September 1987. I would like to announce this decision in a White Paper which I hope to publish in the week beginning 30th June. I confirm that I intend financing the extension within the PES period from existing DE/MSD PES provision.

Since we corresponded in February and March officials have looked at the issues in an interdepartmental working group whose report was completed last week. Although Treasury officials have reserved your position on a number of issues the Education Departments, the MSD and the Department of Employment officials have confirmed that replication on a national basis is practicable within an administrative and curricular framework which is broadly similar to that available for the pilots. They have agreed a statement of curricular objectives (consistent with "Better Schools" and developments in Scotland) to which TVEI extension proposals would have to conform. They have also considered the costs and phasing of a national extension and concluded (Treasury officials dissenting) that MSD funding at a level equivalent to about £30,000 per school per year for a five year period (compared with £80,000 average for the pilots) is highly desirable if we are to secure an effective national voluntary and speedy extension given the present climate of opinion in the maintained education sector.

I accept that judgement: my initial inclination was to pitch our funding at the figure equivalent to about £20,000 per school which the MSD had first suggested, and which the interdepartmental group accepted, as a minimum credible figure but I believe now that that is a high risk strategy. It would also be less cost-effective. Some local authorities may

RESTRICTED

RESTRICTED



participate at the lower level of funding but in my judgement a greater number are likely to argue that funding at only one quarter of the level available in the pilots will be insufficient to induce them to take on what would be the admittedly heavy task of implementing TVEI-led curricular change across all schools and FE colleges in their area dealing with the 14-18 age group. The burden on authorities as compared with the pilot stages (which involved perhaps only half a dozen schools and one FE college in each authority) will be considerable and authorities will not get wholehearted co-operation from teachers if they think the extension is under-funded. So funding at levels preceived to be inadequate would both seriously prejudice our hopes of securing a speedy and effective national extension and would carry the risk that we would get little credit for what we were doing. Reactions might concentrate less on the money which the Government was making available than on the argument that this was yet another burden being imposed on the education sector with inadequate resources.

And the sums involved at the higher level of funding are not enormous in relation to the benefit gained. The cost to the MSC of the TVEI extension at the £30,000 level would be of the order of £12m, £41m and £84m in the three years of the PES period to 1989/90 which would be some £2m, £11m and £25m more than the £20,000 "minimum credible" level. And these total MSC costs can be met by switching somewhat smaller payments than that from the YTS baseline (because of savings accruing in the money at present allocated for TVEI pilots). So the "bottom line" figures are for switching some £10m, £33m and £58m from the YTS baseline (which is running at £1100m/£1200m) in the PES period. Our officials have discussed a range of options for securing such a switch but we need not take firm policy decisions on these for the later years until we have a better idea of how two year YTS is developing. I am however prepared to give now a commitment that for 1987/88 I will inform the Commission later this year that the YTS basic grant and managing agents fee for 1987/88 should be frozen at present levels (with protection for umbrella providers and recipients of premium and ITEC grants). This alone would save some £15m in 1987/88.

Given your particular interests I have spent some time on funding issues - but mainly to emphasise that I believe that we should fund at the £30,000 level and that it is realistic to plan to do so from within the existing YTS baseline. I believe that the case for announcing now the extension for

RESTRICTED



TVEI from September 1987 is very strong indeed. Such an announcement would be seen as a speedy and effective riposte to some of the present concern about the funding pressures in the maintained education sector. More importantly it gives us a mechanism for focussing expenditure in schools in an area which we, and increasingly others, believe is one of high priority. The recent HMI report on LEA expenditure on education drew specific attention to the beneficial effects of the TVEI pilots on curricular development and morale. We should capitalise on that and make an early announcement of a full blooded and properly funded extension.

I would be glad of an early response to this letter because of the need to finalise the text for the forthcoming White Paper. Could we meet before say 10th June?

I am sending copies of this letter to the Prime Minister, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry, the Secretary of State for Education and Science, and the Secretaries of State for Scotland and for Wales.

Yours sincerely,

Tain Markham

[PRIVATE SECRETARY]

(APPROVED BY THE SECRETARY OF STATE
AND SIGNED IN HIS ABSENCE)

RESTRICTED

