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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham  
Secretary of State for Employment  
Department of Employment  
Caxton House  
Tothill Street  
London  
SW1H 9NA

Prime Minister<sup>2</sup>

JHS  
6/6.

5 June 1986

Dear David,

ms

TVEI

Nicely done!

Thank you for your letters of 30 May on the Technical and Vocational Education Initiative and on PES provision for the DE Group. I am grateful to you for sending me both letters on the same day: it clearly makes sense to consider the issues together.

You say that you would like an early decision to enable an announcement to be made next month about an extension of TVEI and that you intend financing it within the PES period from savings in the existing DE/MSD PES provision. I must say that this is a misleading presentation, since overall you are proposing net additional expenditure of about £80 million a year above the savings you have identified. So this is effectively an additional bid.

This reinforces the view I expressed in earlier letters that it would not be right to reach an early decision about extending TVEI before Cabinet has considered Public Expenditure issues as a whole. I know that you consider some of the additional bids are unavoidable and beyond your control. But your Department is far from being unique in that and it does not alter the fact that pre-empting the PES process in the way you propose, especially with net bids outstanding, is bound to mean seeking offsetting savings from other colleagues.

I am not convinced either by your proposal to offer funding per school at the equivalent of £30,000 compared with £15-£20,000 in your original letter, which was based

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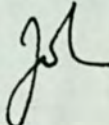
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on the MSC's judgement. And as far as the impact of announcements is concerned, in political terms it is at least as important to have attractive announcements to make at the time of the Autumn Statement as in the next few weeks. And it is better for the confidence of financial markets to avoid piecemeal announcements about new Public Expenditure proposals which use up available savings in the middle of what is now seen to be a very difficult Survey.

These are powerful arguments for sticking to the normal survey procedure. If we were to contemplate departing from it, it would in fairness to other colleagues be necessary for you to identify deliverable ways of fitting your new expenditure proposals, including TVEI, within your existing PES provision without any net additional bids.

You asked for an early discussion. If you still feel that that would be useful, I would be more than happy to arrange.

In view of the implications of what you propose for the way we conduct our public expenditure negotiations I am copying this letter to the Prime Minister, Willie Whitelaw, members of E(A) Committee and to Sir Robert Armstrong.

Yours ever,  


JOHN MacGREGOR

