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16 December 1987

Dear Andy

EDUCATION, SCIENCE AND ARTS COMMITTEE (ESAC) REPORT ON DES EXPENDITURE PLANS

I attach a draft response to the Education, Science and Arts Committee's Fourth Report on DES expenditure plans. The response has been circulated to members of H Committee and the text takes account of their comments.

As last year, we plan to publish the response as a Command Paper, and we need to do so before this year's Public Expenditure White Paper is published. We therefore propose to publish the response on Friday 8 January. May I ask for your clearance to go ahead on this date?

I am copying this letter to the Private Secretaries to members of H Committee and Sir Robert Armstrong; a copy also goes to Bernard Ingham.

Yours

Tom.

T JEFFERY
Private Secretary



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

18 December 1987

EDUCATION, SCIENCE AND ARTS COMMITTEE REPORT
ON DES EXPENDITURE PLANS

Thank you for your letter of 16 December.
I am content with your proposal to publish
the response on Friday 8 January.

I am copying this letter to the Private
Secretaries to members of E(EP) rather than
H Committee and to Trevor Woolley (Cabinet
Office).

P. A. Bearpark

Tom Jeffery, Esq.,
Department of Education and Science.

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DEPARTMENT OF EDUCATION AND SCIENCE
EXPENDITURE PLANS 1987-88
TO 1989-90 (Cm56)

The Government Response to the Fourth
Report from the Education, Science and
Arts Committee, Session 1986-87

DEPARTMENT OF EDUCATION AND SCIENCE EXPENDITURE PLANS 1987-88 TO 1989-90 (CM 56) : GOVERNMENT RESPONSE TO THE FOURTH REPORT FROM THE EDUCATION, SCIENCE AND ARTS COMMITTEE, SESSION 1986-87

INTRODUCTION

1. The Government welcomes the second report from the Education, Science and Arts Committee on DES expenditure plans.
2. The Committee makes nine recommendations in the Report: this response sets out and comments on each recommendation in turn. Insofar as the response relates to DES responsibilities for local authority education matters, it refers to the position in England.

CURRENT EXPENDITURE

In so far as there has been a "real" increase in expenditure in recent years it has thus come about largely because local authorities have chosen to exceed the Government's public expenditure plans. The Government should state whether they are content with this overshoot by local authorities or whether they hope to reduce such expenditure in the long term to the levels planned in earlier White Papers (paragraph 9).

3. The Government reviews its expenditure plans each year and sets new plans having regard to what can be afforded. As with other areas of expenditure, provision for local authority spending takes into account an assessment of future needs as well as local authorities' budgets. When the Government determines what can be afforded within its new plans, this overtakes what had been planned earlier. The Government considers however that local authorities do not need to spend at the level allowed for in its plans. In its latest plans, the Government has stated that it believes that LEAs could make good progress with national and local policies for education within a lower level of expenditure if they managed the service more efficiently. Accordingly, the total used for determining the education component of grant-related expenditure in 1988-89 has been set £615m below provision.

4. It is for LEAs to reach decisions on their current expenditure. It is up to them to squeeze out unnecessary spending, having regard to the guidance issued by the Department on matters of efficiency and to the reports of the Audit Commission. LEAs have made good progress in some areas such as the removal of surplus school places and the tightening of student:staff ratios in advanced further education, but there is much more to do. For example, "Managing Colleges Efficiently", the report of a study undertaken jointly by the Department and the local authority associations, puts forward a programme for raising efficiency in non-advanced further education and sets a national target for the student:staff ratio.

CAPITAL EXPENDITURE

We recommend that over the planning period the level of investment by local authorities in improvements to capital stock and in new and replacement schools be maintained at the levels achieved in 1986-87 (paragraph 18).

5. In the 1987 Autumn Statement the Government announced substantial additional provision for local authority capital expenditure; allocations for 1988-89 will be £369 million, an increase of 24% over the allocations for 1987-88 of £297 million announced in December 1986. Within the total resources available to local authorities and voluntary schools, capital expenditure of at least £250 million per year should be possible on projects to improve school buildings.

6. Also relevant to the Committee's concern about improvements to capital stock is the provision for current expenditure on repairs and maintenance. For 1988-89 provision for education takes into the account the assumption - based on authorities' budget estimates - that maintenance expenditure on school buildings will be over 40% greater than actual expenditure in 1985-86.

7. The level of investment by local authorities in improvements to capital stock and in new and replacement schools should therefore be significantly greater over future years than it was in 1986-87.

SPECIFIC GRANTS AND OTHER INITIATIVES

It is essential that information and independent research are available soon, so that the effects of central initiatives and specific grants may be evaluated. We recommend accordingly (paragraph 23).

8. Arrangements to monitor the effects of specific grants and other centrally-funded initiatives on education and science already exist and are being improved and developed. These are:

- (a) Each activity in the Education Support Grant (ESG) programme is evaluated as shown in Annex 2 to the Committee's Report last year. Activities supported under the programme vary so widely that a general research programme to monitor the effect of ESGs would not be appropriate.
- (b) LEAs are required to monitor and evaluate training they provide under the LEA Training Grants Scheme and to report their conclusions annually to the Department, which will take them into account in planning the development of the Scheme. DES monitoring of volumes of training and expenditure, studies of particular aspects of the scheme to be commissioned by the Department and HM Inspectorate's observations of the effects of the scheme will also contribute to this.

- (c) TVEI pilot projects are being comprehensively monitored and evaluated at both national and local levels. At national level, evaluation is being carried out for the MSC by teams of external consultants. At local level, each LEA evaluates its own project. In addition, HMI inspect projects. The national evaluation programme has now produced interim conclusions and HMI have published 11 reports on their TVEI inspections.
- (d) The TVEI Related In-service Training Scheme (TRIST) was evaluated at local level by LEAs. A report by external consultants analysing their findings has been published. Two other reports on TRIST at national and regional level by external consultants are also due shortly.
- (e) The current Work-Related NAFE agreement was the subject of a full review in summer 1987. The review drew on a survey by external consultants. The National Audit Office report acknowledged that the introduction of a new information gathering system would enable the MSC to improve the planning of adult training and this system is now operational. The MSC has helped some LEAs to carry out pilot projects looking at the collection and use of NAFE student management information. The conclusions of these studies have been made available widely and will be reflected in future MSC/LEA monitoring of Work-Related NAFE.
- (f) The role and performance of the Industrial Language Training Service are currently under review. This process should be completed during the current financial year.

9. The Committee also mentions the YTS capital Grants scheme and the Scientific and Technological Equipment for Schools: GCSE scheme. As table 6 of the report indicates, there are no plans for further grants in either area.

STUDENT AWARDS

We see no reason to detract from the thrust of our earlier Report on Student Awards, which advocated a rise in the value of the awards, and we accordingly recommend that the Government should find the resources necessary to start a period of gradual real increases in the value of individual student awards (paragraph 26).

10. The Government has made its position clear in its response to the Committee's First Report on Student Awards. Provision for students' needs must take account of what the taxpayer can afford. The Government's Student Support Review is considering these issues. The Committee can be assured that the review is taking into account the recommendations made by the Committee in its report on student awards.

11. In the light of the conclusions of the Review, the Government hopes to publish proposals for public discussion and consultation in 1988. In the meantime it cannot commit itself to any programme for increasing student support from public funds.

CITY TECHNOLOGY COLLEGES

We therefore propose that, before the first CTC opens, more details should be published about the financing, administration and accountability of such colleges, which should subsequently be subject to independent assessment (paragraph 28).

12. The CTCs will be established as trust companies and the trustees will have an obligation to produce an annual statement of account. The Regulations which provide for initial grant payments to CTCs oblige recipients to provide the Secretary of State with such information as he may require. This information and other records will be open to inspection by the Comptroller and Auditor General.

13. The Education Reform Bill provides for reciprocal agreements between the Secretary of State and the proprietors of CTCs. The agreements will specify the conditions for continuing support from public funds and will oblige the proprietors to provide the Secretary of State with such information as he may require.

14. The figure of £1,800 to £2,000 referred to in paragraph 27 represents the Department's estimate of the total annual cost to public funds of each pupil in a CTC. It is not directly comparable to recurrent unit costs in maintained secondary schools, which exclude costs such as administration, inspection, subsidies to school meals and home to school transport. The Department's estimate assumes that there will need to be some contribution by the Department towards the capital costs of CTCs.

SCIENCE

We recommend that the existing volume of science research both for 1987-88 and in future years should at least be preserved (paragraph 32).

15. The Government's policy is to maintain and enhance the strength and quality of the science base. It has increased the Science Budget by 14% more than general inflation since 1979. But no country can afford to keep pace in all areas with the rapid growth of science and technology. The Government's aim is to get the best value from the substantial sums available by being more selective about their distribution and concentrating resources on outstanding research groups. It also wants to see improved management of research and more effective links with industry.

16. The Science Budget for 1988-89 will be £699 million, an increase of 1.8% in real terms compared to the final plans for 1987-88. The planning figure for the following year is £730 million, providing for a further rise of 0.9% in real terms. The plans include special provision for research in Antarctica and on AIDS, and should enable a start to be made in 1988-89 on the establishment of inter-disciplinary research centres as recommended by the ABRC.

PRESENTATION

Annexed to this report is a table prepared for the Committee showing, as far as possible, a detailed breakdown of education spending for each country within the UK. We recommend that a similar table appears in the White Paper (paragraph 34).

17. A functional analysis of United Kingdom expenditure was included in table 2.11 of the 1987 Public Expenditure White Paper and territorial spending by function was set out in table 2.12. The Government is considering improvements to table 2.11, but has no plans at present to provide information at the level of detail sought by the Committee, which would entail significant additional work for the Departments concerned. The Government will, however, seek to spell out more clearly the territorial coverage of individual lines in the main DES expenditure table.

We recommend that future White Papers should give details of relative price movements within individual services (paragraph 35).

18. The Government's view on the use of volume measures of spending is set out in full in its response to the Third Report by the Treasury and Civil Service Committee on the Government's Expenditure Plans (HC 335).

OBJECTIVES AND OUTPUT MEASURES

We recommend that in future White Papers the DES should attempt to make clear how particular objectives are being achieved by reference to output measures (paragraph 37).

19. The Government shares the Committee's concern that progress in achieving the objectives of the education service should be properly measured. Cm 56 provided time series information for national examination results and age participation rates and unit costs for schools, non-advanced further education and higher education. There were also some measures for specific schemes e.g. the take-up rate for the Assisted Places Scheme and forecast places created by the Engineering and Technology Programme.

20. The Government is seeking to develop and improve the range of performance indicators for different sectors of the education service, within the limits of availability of data. Where appropriate indicators are available the Government will seek to relate them to the relevant section of the Department's entry in the White Paper.

CCPG



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Kenneth Baker MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

10 December 1987

NRB

Dear Kenneth

EDUCATION, SCIENCE AND ARTS COMMITTEE ON DES EXPENDITURE PLANS

I have seen a copy of your letter of [✓] 12 December to Willie Whitelaw and the draft reply to the Committee's report.

I am pleased to see you have taken this opportunity to press home again the message that resources need to be managed more efficiently by local authorities and that there still exists a potential for substantial savings to be made. I would however like to suggest that the following be added after the third sentence of paragraph 3:

"The Government considers however that local authorities do not need to spend at the level allowed for in its plans for future years".

Apart from this I would prefer to see "current budgets" in line 5 of paragraph 3 replaced with "local authorities' budgets" and for the last two lines of that paragraph to read:

"£615m below forecast total expenditure on education in that year".

Subject to these amendmets, I am content with the draft response. I am copying this letter to the Prime Minister, members of H Committee and Sir Robert Armstrong.

James

NICHOLAS RIDLEY

Armstrong

EDUCATION: Policy P116





CABINET OFFICE

R. Wilson

Thank you. I

R.T.J. Wilson

passed these
prints on really
to DES. DES

MR. NORCROVE

9/11/72

You may want to take up the point
in para 2 with DES.

By referring to the study in their
reply, there could be some
implication that the Government
accepts all its recommendations.
I doubt whether this is true, particularly
on the Rate Support Grant (RSX).
Perhaps this is the way to put it
to them.

R.T.J.
alw



CONFIDENTIAL

Reference No E 0467

MR WILSON

cc Mr Langdon

Education Select Committee Report
on DES Expenditure Plans

The Education Secretary sent a draft reply to this report to the Lord President on 2 December, with a copy to the Prime Minister and members of H.

X | 2. Paragraph 4 says that LEAs have already made good progress in tightening student:staff ratios (SSRs) in advanced further education, but that there is more to do. It then quotes a joint DES-local authority study which 'sets a national target for the student:staff ratio'. I attach a copy of this study. The detailed argumentation is fairly balanced, recognising the disadvantages as well as the advantages of the SSR (for example in paragraph 4.12). But the study concludes, as the draft reply to the Education Select Committee says, with a clear recommendation for a national SSR target for 1991-2 and, still more important, that the Government's planning for Rate Support Grant purposes should allow for progression towards it. (Paragraph 9.14).

3. I know that the Prime Minister is strongly opposed to setting an SSR target in schools, and presume that she would also object to setting one in non-advanced further education.

4. On a smaller matter, paragraph 16 of the draft reply to the Select Committee expresses the hope that a start can be made in 1988-89 on establishing interdisciplinary research centres as recommended by the ABRC. But this anticipates the E(ST) discussion next month of the ABRC report.



CONFIDENTIAL

5. Mr Baker's letter was to the Lord President, but his Office have agreed that we can put these points direct to the Prime Minister. I suggest that if Mr Norgrove does write, he should copy his comments round on the E(EP) circulation and ask that such matters should in future be dealt with on the E(EP) net.

G W

G W MONGER

Economic Secretariat
8 December 1987



CCBA

ELIZABETH HOUSE
YORK ROAD
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01-934 9000

Note.

Commented to
DES that they should not
refer approvingly to lower
SSRs (para 4) & treat
the plan

~~NSA~~

interdisciplinary research
centres (para 16) is not
yet approved.

The Rt Hon the Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
68 Whitehall
London SW1A 2AT

2 December 1987

JKV
9/12

Jim White

**EDUCATION, SCIENCE AND ARTS COMMITTEE REPORT ON DES
EXPENDITURE PLANS**

I attach a draft reply to the Education Select Committee's report on DES Expenditure Plans which was published in June.

The Committee's report was their second on the Government's expenditure plans. Their recommendations cover a variety of topics on the content and presentation of our expenditure plans for education and science; the draft response deals with the recommendations in the light of the decisions taken in the recent Public Expenditure Survey. It draws on contributions from the other Departments most closely concerned.

I should like to publish the response as soon as possible, and - as last year - as a Command Paper. I should be grateful to have any comments on the text by 9 December.

I am copying this letter and the draft response to the Prime Minister, to members of H Committee and to Sir Robert Armstrong.

*James
Harris*

DEPARTMENT OF EDUCATION AND SCIENCE EXPENDITURE PLANS 1987-88 TO 1989-90 (CM 56) : GOVERNMENT RESPONSE TO THE FOURTH REPORT FROM THE EDUCATION, SCIENCE AND ARTS COMMITTEE, SESSION 1986-87

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4. It is for LEAs to reach decisions on their current expenditure. It is up to them to squeeze out unnecessary spending, having regard to the guidance issued by the Department on matters of efficiency and to the reports of the Audit Commission. LEAs have made good progress in some areas such as the removal of surplus school places and the tightening of student:staff ratios in advanced further education, but there is much more to do. For example, "Managing Colleges Efficiently", the report of a study undertaken jointly by the Department and the local authority associations, puts forward a programme for raising efficiency in non-advanced further education and sets a national target for the student:staff ratio.

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- (c) TVEI pilot projects are being comprehensively monitored and evaluated at both national and local levels. At national level, evaluation is being carried out for the MSC by teams of external consultants. At local level, each LEA evaluates its own project. In addition, HMI inspect projects. The national evaluation programme has now produced interim conclusions and HMI have published 10 reports on their TVEI inspections.
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10. The Government has made its position clear in its response to the Committee's Report on Student Awards. Provision for students' needs must take account of what the taxpayer can afford. The Government's Student Support Review is considering, without commitment, the possibility of extending through a part loan system the future base for the financial support of students studying at degree level in Great Britain to include students themselves, as well as their parents and the taxpayer. The Committee can be assured that the review is taking into account the recommendations made by the Committee in its First Report on Student Awards.

11. In the light of the conclusions of the Review, the Government hopes to publish proposals for public discussion and consultation in 1988. In the meantime it cannot commit itself to any programme for increasing student support from public funds.

CITY TECHNOLOGY COLLEGES

We therefore propose that, before the first CTC opens, more details should be published about the financing, administration and accountability of such colleges, which should subsequently be subject to independent assessment (paragraph 28).

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