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Treasury Chambers, Parliament Street, SW1P 3AG

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

 2<sup>nd</sup> February 1988

Dear Ken,

**GRANT MAINTAINED SCHOOLS: COMPENSATION FOR DISMISSALS**

Thank you for your letter of 25 January.

FILE WITH PA

I am grateful for the way in which you have handled the two points in my earlier letter in the draft memorandum on the scheme. I think it would be helpful if that memorandum also made explicit the limited intended coverage of the scheme as set out in your earlier letter. In discussion with mine, your officials recognised the case for a sentence, to come at the end of section 2 of the draft, along the lines, "The Secretary of State would also need to be convinced that there were wholly exceptional circumstances before he could approve applications covering dismissals of more than a small minority of a school's total teacher force."

As my earlier letter made clear, the proper place to consider additions to your programme for 1989-90 and future years is in the 1988 Survey. Whilst clearly it was not sensible to take decisions about provision for the scheme in the last Survey, before you had even put forward proposals on its details, I said nothing then which could be taken as a commitment to make resources available outside the normal Survey arrangements. I cannot now agree to do so. There is no suggestion but that provision will obviously need to be made for the scheme for 1989-90 onwards. But whether we shall need to make additions to your overall programme on this account, or whether provision can be found by reordering priorities elsewhere, can only sensibly be considered in the Survey.

EDUCATION: Policy PT17



CONFIDENTIAL

I am copying this letter to the Prime Minister, other members of E(EP), the Lord Chancellor, the Attorney General and Sir Robin Butler.

*Yours Ever,*  
*John*

JOHN MAJOR



CCB

CONFIDENTIAL

ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

ABM  
This has now become  
a minor DES / Treasury squabble  
don't worry that they should  
cut at December.

REC 6  
26/1

25 January 1988

The Rt Hon John Major MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

12 pp's

Dear Mr,

GRANT MAINTAINED SCHOOLS: COMPENSATION FOR DISMISSALS

Thank you for your letter of 22 January in response to mine of 15 January.

You raise two points on the scheme that I propose. On the first point, I am very happy to stress in presenting the scheme that this is a wholly exceptional scheme, set up in the context of establishing a new class of school. On the second point, I shall have discretion to refuse applications under the scheme. I shall make it clear that I am not prepared to assist with the costs of compensation in cases where it would be inappropriate to pay any compensation. I attach the draft of a memorandum explaining the scheme, which I propose to make available to the Committee when it reaches clause 57 of the Education Reform Bill about the transfer of staff; the draft makes specific reference to both these points.

The remaining issue is provision for the costs of the scheme, which build up to a not insignificant level. I need to be clear about that provision before I introduce the scheme to the House. As I explained to you at our PES bilateral on 29 September 1987, that is why I cannot afford to wait until the 1988 Survey. You said then that decisions on provision had to await agreement on the details of the scheme. Now that we have that agreement I need your decision on the necessary addition to my programme.

I am copying this letter to the Prime Minister, other members of E(EP), the Lord Chancellor, the Attorney General and Sir Robin Butler.

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*[Handwritten signature]*

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GRANT MAINTAINED SCHOOLS: SCHEME OF COMPENSATION FOR DISMISSALS

1. Coverage

In the exceptional circumstances of establishing a new class of schools, it is the Government's intention to provide by regulations under clause 60 for GM governing bodies to apply to the Secretary of State for funds to meet the costs of all dismissals initiated before the end of their school's first year under their new status in the interests of the efficient operation of their schools. The dismissals thus covered will include those where the process was initiated by the LEA (or the governing body in the case of an aided school) before the change of status. Because of the time required to follow the prescribed procedures where there are questions of incompetence or redundancy, and because of the length of periods of notice, it may in some cases be a further year or more before severance actually takes place.

2. Costs to be met by the Government in approved cases

The costs eligible for reimbursement by the Government will be:

- i. pension enhancement in cases of premature retirement (restricted to teachers aged 50 years or over): the costs of added years up to age 60 (and up to age 65 if reckonable years' service, including added years do not exceed 30);
- ii. compensation for voluntary severance up to the following limits:  
2 weeks pay per year of service, plus an extra 2 weeks pay for each year of service over the age of 41 but below 50, with a maximum of 25 years service;
- iii. approved legal costs and costs of compensation awarded by industrial tribunals in contested cases, subject to the governing body providing before the dismissal
  - (a) evidence of compliance with established procedures, and
  - (b) advice from its legal adviser to the effect that the dismissal was likely to be found to be fair.

The Secretary of State would have discretion to reject an application. Circumstances in which he might do so would include where he was not satisfied that the dismissals would contribute to the delivery of education at the schools, did not believe that the payment of compensation was appropriate in the circumstances of the case or had strong reason to question whether the legal advice in a contested case was well-founded.

### 3. Procedure

Under the Government's proposals, where governing bodies wished to apply for special grant aid, they would be required to give notice to the DES of the dismissals they were contemplating and the reasons for them before initiating any procedures to bring them about. Where severances were agreed voluntarily, governors would then further notify the Department of the effective date and the payments on which they were requesting grant (which would have to be within the limits specified in paragraph 2 above). In contested cases governors would be required to submit further supporting material as in 2 (iii) above. Where payments fell to be met by the governing body (ie in voluntary severance cases and those contested before industrial tribunals) the Department would reimburse the schools from moneys provided by Parliament at the time the payments fell due. In the case of premature retirement, it is intended that the Department should administer the premature retirement compensation scheme on behalf of grant-maintained schools and itself make payments to teachers. Ordinarily the costs of these payments would be deducted from a school's grant; but where an application succeeded the Department would waive recovery.

EDUCATION POLICY Pt 17

