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The Rt Hon Leon Brittan QC MP
 Chief Secretary
 Treasury
 Great George Street
 LONDON SW1

Prime Minister

You were asking earlier

this week what 'project'
 meant in this context.

The letter at flag A
 from Mr Tebbiti office is

21 April 1983

D/Emp's

response to
 this question.

MLS 22/4

Dear Chief Secretary

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

This Initiative, which was announced by the Prime Minister last November, has got off to a good start. Keith Joseph, Nicholas Edwards and I recently approved the selection of 14 pilot projects from bids submitted by 66 local education authorities in England and Wales, some two-thirds of the possible field. The quality of response was encouraging and the initiative has stimulated considerable interest and much, though not universal, support in the education system. All 14 schemes should be ready to start in September.

We are now no longer in the position of trying to persuade a few local education authorities to start pilot projects. The initial offer of financial support has made very plain that there is a willingness to move towards providing more technical and vocational education on these lines and we now have the chance to capitalise on that. And on the basis of the detailed information we have gained of the unit costs of the pilot projects I am confident that we can do so within my existing public expenditure programme.

David Young has accordingly been discussing with Keith Joseph and myself how we could best build on the success so far achieved given that the unit costs of these projects are turning out to be lower than the initial estimates. What we have in mind is to offer to support a suitable TVEI project in every local education authority in England and Wales which wishes to run one. The support would be given for a five year period as in the case of the 14 pilots and the further projects would be approved by the MSC for introduction from September 1984. If every authority (except the 14 already selected) were to attract support, this would produce a further 90 schemes, but there are some (like ILEA) who might not apply or might not succeed in meeting the minimum standard required for a project.



As I say, I am confident from close scrutiny of the figures that we could fund this comprehensive approach from within the MSC's existing expenditure provision. It is proposed to put a ceiling of £500,000 a year on the support given to each of the additional projects and we would expect some 60 local education authorities to come forward with acceptable projects. On this basis the annual cost in a full year would be £30 million. Towards this the MSC already has £17 million which was committed to the original pilot projects but has not proved to be needed because we have got l.e.a.s in general to contribute what amounts to the cost of normal educational provision for the young people concerned. In addition, we can reasonably expect that some of the young people who stay on after 16 within these projects would, in their absence, have left school and in one way or another have found their way onto the Youth Training Scheme. We estimate that this effect would yield savings on YTS of about £9 million a year when the original 14 and these additional 60 projects all have a full complement of 16 and 17 year olds.

The attached table sets out the figures over a 5 year period and you will see that the net annual cost of the proposed extension rises to £15 million in 1985-86 and then declines as the savings of YTS take effect, rising again when the original 14 projects have ended. David Young is prepared to undertake to find the full cost over these 5 years from within the MSC's existing planned programme of expenditure, whether from the YTS provision or elsewhere. I am satisfied that this would be achieved without prejudicing our YTS targets or other important policy commitments.

If you and other colleagues concerned support this approach, Keith Joseph and I propose to proceed as follows. There is likely to be some pressure for further action when the Manpower Services Commission meets next Thursday 28 April and David Young may well be asked to write to me to convey the Commission's own concern at possible loss of momentum and opportunities if no further projects are supported. In that event I shall let it be known, in the case of enquiry, that the Government are already reflecting on the outcome of the Initiative and the possibility of its development; and will thereafter write to the Commission to express the Government's willingness to consider extension if the MSC care to put forward proposals which can be met from within resources already allocated to the MSC. At that time and in conjunction with the MSC, Keith would consult the local education authorities to secure their support for what would be a big step forward in the national policy for the curriculum for the 14-18 age group. We would then expect proposals to be forthcoming from the MSC by the end of May and we would take and announce a decision on them in June, in good time for local education authorities to start preparing applications



for schemes to start in September 1984.

Our proposal would extend the concept of pilot projects to every authority so that each might learn from its own experience. Its great advantage in Keith's view and my own is that it seizes the opportunity created by the success which has followed the Prime Minister's November announcement to get on faster with the essential task of improving technical and vocational education in our schools.

Keith and I very much hope that we may have your support and that of other colleagues concerned for proceeding as we propose on 28 April and thereafter.

I am copying this letter to the Prime Minister, Keith Joseph, Nicholas Edwards and George Younger; and to Sir Robert Armstrong.

*Yours sincerely,
Baroness Gorman
(approved by Sec^y of State, and
signed in his absence)*

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	<u>1984/5</u>	<u>1985/6</u>	<u>1986/7</u>	<u>1987/8</u>	<u>1988/9</u>
a. Resources earmarked at present	18	24	28	28	8
b. Cost of 14 original projects	9	11	11	11	6
c. Available for extension extension (a - b)	9	13	17	17	2
d. Total cost of by 60 projects	20	30	30	30	30
	2/3 of year				
e. Savings on YTS	0	2	8	9	7
f. Cost of extension by 60 projects (d - c - e)	11	15	5	4	21

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NBPM

ms 29/4

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP
 Secretary of State
 Department of Employment
 Caxton House
 Tothill Street
 London SW1H 9NF

27 April 1983

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TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

We spoke earlier today about your letter of 21 April. As I explained then, I certainly do not wish to hold up desirable developments unnecessarily but I do think we need to look more closely at the public expenditure implications of what you propose before reaching a decision. It may be helpful if I set out my doubts a little more fully on paper.

What you propose would be a major extension of the scheme before the pilot experiments have even got under way and, as you recognise, would have a major public expenditure cost, particularly in 1985-86 and beyond.

The table annexed to your letter indicates that gross expenditure on the proposed extension would amount to £150 million over the next 6 years, and net additional expenditure to almost £60 million. I am sure you would agree that these estimates are subject to wide margins of error. First, we cannot be sure that only 60 local authorities would submit acceptable bids. The 52 frustrated applicants who failed to qualify for a pilot scheme would presumably re-submit; and a large number of others who might not previously have had the time to assemble suitable projects could also come forward.

Secondly, your estimates of cost assume that the £500,000 grant would be a fixed cash sum over the five year period. This might indeed be a way of rationing the number of bids, but I am not sure if that is what you have in mind. Any up-rating of the grant in later years would, of course, increase the cost.

Finally, I gather that there is some doubt about both the room which exists within the existing "allocation" for the 14 pilot

schemes, and the extent of any flowbacks in respect of 16 year olds who might otherwise have gone onto YTS.

Given the uncertainties, the cost of the proposed extension could be a good deal more than your estimates imply. But even as they stand, these indicate that the MSC would have to find quite substantial offsetting savings over the period, and especially in the first couple of years. In the light of recent underspending it is tempting to conclude that savings could be made without much problem. But the Youth Training Scheme represents uncharted waters in expenditure terms and there are already signs that it will not be easy to achieve our target of 460,000 places within existing resources. On top of this, we ought not to ignore the pressure which is building up to extend the guarantee of a place to unemployed 17 year olds. I am bound to say that I am very uneasy about anticipating future savings in a programme which could prove difficult to contain within existing provision. And it might be that similar considerations apply in relation to adult training, which is the other large element of MSC expenditure. My concern is only reinforced by the fact that even the cost of the existing 14 pilot schemes has yet to be accommodated within the MSC's budget.

We need also to consider the possible costs to the DES and LEAs of continuing along this path - especially if, as you suggested on the phone, you envisage that the MSC might transfer responsibility to them at some point.

In the light of my concerns you agreed not to give the MSC any firm message for the time being until we have considered the implications further.

I am copying this letter to the Prime Minister, Keith Joseph, Nicholas Edwards and George Younger; and to Sir Robert Armstrong.


LEON BRITTAN

EDUCATION: Proposals to establish
Training Colleges. Oct '82

28 APR 1983

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