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

11 May 1983

R Leon,

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

As expected, there was an all-round expression of opinion at the MSC meeting on 28 April in favour of exploiting the response to this initiative so far and David Young was asked to put a paper to the Commission on the possibilities of extension. However, in the light of our conversation and your reply of 27 April, David held back from proceeding as we had earlier proposed so as to give time for the further examination of the expenditure implications that you requested. Officials of the Departments concerned have since conducted this examination and I am now in a position to answer the points you raised.

First, there is the question of how many of the 90 eligible local authorities in England and Wales would submit acceptable bids. There seems little doubt that the great majority of authorities would wish to participate in a wider scheme. One or two authorities, notably the ILEA, would probably decline to bid on political grounds and some others may regard the support offered inadequate or fail to produce proposals which meet the criteria. Officials think that the range of authorities which might in due course succeed is from 45 to 80, but that 60 is the most likely number. I do not think any alternative figure is more likely to be right and the costings have been worked out on that basis.

Secondly, you ask about the proposed annual ceiling of £500,000 on support for individual projects. Its purpose is not to ration the number of bids but to limit total costs while providing a substantial inducement to local education authorities to participate. Some authorities will get less than the ceiling; and although we want schemes of 1,000 pupils

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*Education
NBPM unit
the CST
replies.
MS 1/5*

B/F

OK NO



over the whole 14-18 range, we should certainly reduce the grant proportionately if any smaller schemes were accepted.

I take your point that any up-rating of the grant in later years would increase the cost. The intention is that the MSC should open discussions with authorities on the basis that the figure of £500,000 would be fixed over the 5 year period. If it was necessary to give ground on this - and the MSC are committed to discuss annually the possible uprating of support for the 14 schemes which have so far been selected - we would not consider up-rating from earlier than 1985-86. On the basis of the PES uprating factor of 4 per cent for 1985-86 and 3 per cent for the next year and (let us assume) thereafter, this would add about £10 million throughout the period.

Thirdly, you referred to uncertainties about the margin of TVEI resources now available and the extent of flowbacks in respect of 16 year olds who might otherwise have gone on to YTS. Recent MSC discussions with the selected 14 authorities have slightly altered the cost estimates (line b in the attached revised table) but they are now reasonably soundly based. There are always uncertainties in calculating savings from flowbacks, but there are bound to be some flowbacks and the assumptions made are modest.

I am entirely with you in what you say in the sixth paragraph of your letter. I have made clear to David Young that this extension can be contemplated only if its cost, like that of the 14 schemes, is met from existing MSC resources. How these costs would be met has been discussed in detail by officials and the MSC have identified the specific programmes from which the money would come. As far as the 14 current projects are concerned, the financial programme for YTS has already been adjusted in order to provide the funds. The costs of the further 60 schemes would be met from three existing programmes. The requirements in line c of the attached table would be met partly from changes in the general employment service, including further economies from the Rayner scrutiny. Some £5m in 1984/85 and rather more in subsequent years would come from that quarter. The balance would be found from the adult training budget, where changes would be made after the current consultations about an adult training strategy.

The remainder of the funds (line f of the table) would be found by replacing 10% of the Mode B places in the YTS with cheaper Mode A places which are expected to be available in sufficient numbers to permit this change. These would amount to £14m a year throughout the period and would more than cover the cost of extending the Scheme in two of the later years, and afford a margin against uprating or the possibility of the Initiative being extended to more than 60 schemes. There are



one or two years in which, on the costings shown, the identified savings will not be quite adequate and in this case MSC will need to make further marginal economies.

I believe that the proposals for financing development of the TVEI are now as soundly based as possible. I accept - and so does David Young - that, if savings are made by re-ordering priorities within MSC's total budget, this will to a degree pre-empt resources that might have been used for other purposes.

There is a new factor relating to Scotland. When the TVEI was launched last November George Younger decided that it would not be appropriate for Scottish local education authorities to bid for support because of other recent developments in Scotland, including the 16-19 Action Plan and changes proposed in the curriculum and examinations for 14-16 year olds. He is now considering whether education authorities in Scotland might set up suitable local schemes, in conjunction with MSC and SED, to try out and develop new technical and vocational courses intended for full national introduction later in the 1980s. Schemes would be within the framework of the current Munn and Dunning programmes in Scotland and it would not be practicable for them to meet the established TVEI criteria in full. No firm costings are available, but I understand it is being proposed that savings should be found from within the MSC's existing budget for Scotland on a similar basis to those which we are suggesting can be used to finance pilot schemes in England and Wales. My main concern is that MSC funds should be used to achieve specific targets under the Initiative and not to support existing education programmes which are the responsibility of Education Ministers. I have to say that there does not seem to be such a proposal for Scotland at the moment.

As for the longer term implications I can only say that, if the Initiative succeeds as we hope, I would expect any continuing support beyond the 5-year period to be carried on the education budget in the form of specific grant. The legislation which Keith Joseph is hoping to introduce shortly would be suitable, with some amendments, for this purpose. Insofar as the resources found by the MSC for the 5-year period were available beyond it, I would expect them to continue to be made available through the education programme for this purpose to the extent then necessary. On that basis I firmly believe that after the 5-year period the financing of technical and vocational education should fall wholly on the education programme within whatever resources are available for it.

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I hope that this letter removes your doubts on the expenditure aspect and I should be glad if you would confirm that this is so. With your approval, I had intended to write to David Young to indicate the form in which we would be happy to see an extension launched, on the understanding that the MSC is able to find the resources. Keith Joseph and Nicholas Edwards would then have consulted the local education authorities on the proposal and David Young would have consulted the MSC at their next meeting. That seems to us to be the right procedure, but of course we shall not now be able to embark on it before the Election.

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

*Yours
Norman*

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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. Gross cost of 14 original projects	11	11	11	11	6
c. Available for extension (a - b)	7	13	17	17	2
d. Gross cost of extension by 60 projects (2/3 of year)	20	30	30	30	30
e. Savings on YTS on 74 projects	0	2	8	11	9
f. Net cost of extension by 60 projects (d - c - e)	13	15	5	2	19
g. Net cost of 74 projects (a + f)	31	39	33	30	27

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NBPM

msw/s

Treasury Chambers, Parliament Street, SW1P 3AG

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

19 May 1983

R. Norman

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

Thank you for your letter of 11 May, and for the consideration you have given to the points I raised in my letter of 28 April. I think we now have a much clearer idea of the expenditure implications of the proposed extension; but there are still a number of unresolved issues, and the announcement of the Election gives us rather more time to sort them out than your original timetable envisaged.

My main concern is to ensure that a desirable and far-reaching initiative is launched in a way which is predictable in terms of cost, and which does not put undue pressure on other important programmes. As regards cost, the main uncertainties are the likely number of acceptable projects, and the definition of the grant. I do not believe it would be prudent to go ahead simply on the basis of a best guess as to the number of projects, and with no more than an intention (which might not hold) that there should be no uprating of the grant. Pilot schemes by their very nature ought not to be open-ended. I think we must therefore limit the extension to a specified number of projects and operate on a first come first served basis. At the same time I think it should be made clear that the grant of £500,000 a year would in no circumstances be uprated. Individual LEAs would then be able to frame their proposals in the knowledge that they could get no more than £2½ million over the 5 year period. This should serve not only to increase the cost-effectiveness of bids; but also perhaps to preclude the need for a more explicit system of rationing. And of course, to the extent that some local authorities get less than the maximum grant there could be some room within the Scheme's cash limit to accommodate more projects.

Turning to the savings which the MSC are looking for, these are highly dependant on the expected shift in the balance of YTS places, and on the commitment of employers to the scheme, about both of which there must be room for doubt so far in advance of the event.

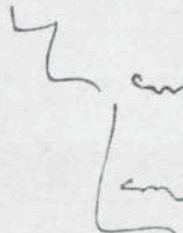
I am apprehensive about the prospect of financing TVEI from savings on this and other schemes such as adult training where savings have still to be realised. This does not seem entirely satisfactory and if I agree to the extension of TVEI on the basis now proposed it must be on the explicit understanding that you and the MSC will not make bids to increase provision for the YTS for example, to extend it to cover all unemployed 17 year old school leavers. If this is acceptable to you I would be content for the extension to go ahead.

The same uncertainty applies to the savings envisaged on adult training. I can agree to the proposed extension of TVEI only on the clear understanding that you and the MSC will not make bids to increase current provisions, for example, in the light of consultations on the Commission's recent document.

As to the longer term implications of the initiative, there is obviously a case for transferring responsibility to the education programme at the end of the 5 year pilot stage. And I understand your letter to say that you would be willing to make a PES transfer to DES at that time. Keith Joseph will no doubt welcome this but there is clearly a danger that such a transfer would not meet the long term costs in full, and that offsetting savings would have to be made elsewhere in the education programme. Furthermore, even if funding were not to exceed pilot levels in the longer term, this would still be equivalent to a large proportion of the proposed statutory ceiling on the level of education specific grants. I know Keith Joseph will want to consider these matters very carefully.

Finally, in respect of the new factor relating to Scotland, I doubt whether there is any justification for MSC funding if the Schemes are to be part of the Munn and Dunning programme, but, in the light of George Younger's letter of 16 May I agree that this should be considered further by officials.

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



LEON BRITTAN

11 9 MAY 1983





NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Rt Hon Leon Brittan QC
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1

16 May 1983

MBM
ms 17/5

Dear Leon,

TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

Norman Tebbit copied to me his letter of 11 May about the proposed extension of the technical and vocational education initiative in England and Wales.

I agree that further action on his proposal should be left until after the election. Meantime, however, I think it necessary to register my position as regards Scotland in a little more detail.

When TVEI was announced last November, we indicated support for the aims of improving technical and vocational education but indicated that different arrangements would be required in Scotland in view of the then impending announcements on our reform of school education for 14-16 year olds and the wider Action Plan for 16-18s. I made it plain in our exchanges at the time that I would expect any savings in MSC expenditure which were generated or arose in Scotland not to be allocated to pilot projects in England and Wales. In our subsequent announcements on the Action Plan in January and the 14-16 "Munn and Dunning" reforms in April, we underlined the priority of improving technical and vocational education but made no specific proposals or provision for it.

I should explain that our implementation programmes provide a framework for developing new courses but do not prescribe the form each course should take in schools or provide the staff, materials and support necessary for developing courses across the whole curriculum. If education authorities are to try out and develop courses in technical and vocational education at an earlier stage and more widely to the benefit of more pupils than would otherwise be possible, extra support and provision will be needed in Scotland every bit as much as it is in England and Wales. There is an important distinction in that pilot courses in Scotland could be developed within the framework of national development programmes and lead more quickly and directly to nationally recognised courses and qualifications. Some vocational elements are already included in our development programmes. My point is that if the policy set out in New Training Initiatives for technical and vocational education is to be achieved in Scotland, the range and scale of development needs to be considerably increased.

I suggest that officials should discuss the extent to which a TVEI scheme for Scotland can be devised and financed by equivalent savings which are generated or arise in MSC expenditure here. If suitable guidelines for a scheme in Scotland can be drawn up, we can make decisions on whether to proceed and when and how to involve education authorities after the election. My aim would be to ensure that an announcement about our intentions for Scotland can be made at the same time as any extension for England and Wales.

I am copying this letter to the Prime Minister, Norman Tebbit, Keith Joseph, Nicholas Edwards and to Sir Robert Armstrong.

Yours truly,

Cumy

Education Oct 8
Training Colleges

14 JUN 1983

