

cc: BCG 14



DEPARTMENT OF EDUCATION AND SCIENCE

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FROM THE SECRETARY OF STATE

The Rt Hon John MacGregor OBE MP
Chief Secretary of the Treasury
Parliament Street
London SW1P 3AG

16 January 1987

In John.
will request if required
NRBM

Tony Newton was good enough to send me a copy of his letter to you of 8 January about the control of specific grants to local authorities.

I agree with Tony that we must retain the flexibility to introduce new grants, and I support his contention that increases in specific grant should be subject to collective agreement. I do so because I believe that the Government must be free to consider each year, and consistently with what can be afforded for public expenditure as a whole, how much Exchequer grant our policies require and what mix of block and specific grants will best serve those policies. Accordingly I should oppose the pegging of specific grant to a fixed proportion of AEG, or the imposition of a pre-set budget on specific grants. Such proposals would fetter the collective consideration which Tony and I both want.

Because these issues touch on the concerns of several colleagues, I suggest that we treat Tony's proposals as part of the background to the discussion of specific grants which E(LF) is to have later this month.

I am copying this letter to Tony, to colleagues on E(LA) and E(LF) and to Sir Robert Armstrong.

Lawson
Herriott