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From the Private Secretary

9 January 1987

**EDUCATION, SCIENCE AND ARTS COMMITTEE (ASAC)
REPORT ON PUBLIC EXPENDITURE**

Thank you for your letter to Andy Bearpark here of 24 December. This is to confirm that the Prime Minister has agreed that the response to the Committee's report should be published as a White Paper on Monday.

M E ADDISON

Ms Alison Kennedy,
Department of Education and Science

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Prime Minister

cc BSG

This has been cleared by L. Pro & 'H'.
Content?

DEPARTMENT OF EDUCATION AND SCIENCE
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AS/ST

FROM THE SECRETARY OF STATE

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yes no yes out

P A Bearpark Esq
Private Secretary
10 Downing Street
LONDON SW1A 2AA

24 December 1986

Dear Andy

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

I attach a draft response to the Education, Science and the Arts Select Committee's report on DES expenditure plans. We understand that the draft has been agreed by H Committee and that the Lord President will be writing to confirm this early in the New Year.

We plan to publish the response as a White Paper, and need to do so before this year's Public Expenditure White Paper is published. We therefore propose to publish the response on Monday 12 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, to Bernard Ingham and to Sir Robert Armstrong.

Yours sincerely

Alison Kennedy

ALISON KENNEDY
Private Office

DEPARTMENT OF EDUCATION AND SCIENCE EXPENDITURE PLANS 1986-87 TO 1988-89 (CMND 9702) AND SUPPLY ESTIMATES 1986-87: GOVERNMENT RESPONSE TO THE SECOND REPORT FROM THE EDUCATION, SCIENCE AND ARTS COMMITTEE, SESSION 1985-86

Introduction

1. The Government welcomes this first report from the Education, Science and Arts Committee on DES expenditure plans and supply estimates, and looks forward to the Committee's future work in this area.

2. The Committee make seven recommendations in the Report: this response sets out and comments on each recommendation in turn. The response insofar as it relates to DES responsibilities for local education authority matters, refers to the position in England.

Current Expenditure

We therefore recommend that the Government should in future publish plans for local authority current expenditure - including those for education - which represent the Government's best estimate of what local authorities are likely to spend in the following three years. (paragraph 9)

3. The Government shares the Committee's view of the desirability of providing local authorities with planning figures for expenditure in the two later years of the Public Expenditure Survey. The particular uncertainties about future spending by local authorities which underlay the decision to restrict firm planning figures in Cmnd 9702 to the first year were set out in HM Treasury's Observations on the Third Report from the Treasury and Civil Service Committee on the Public Expenditure White Paper 1986. The 1987 PEWP will carry firm planning figures for three forward years. The distribution between services of total planned expenditure will be subject to review in the light of demographic trends, local authority budgets and other factors

including the Government's commitments and priorities. But local authorities will have a clear indication of the level of local authority spending for which the Government has allowed in its plans for future years.

4. The Committee will recognise, however, that decisions on what is actually spent rest with the local education authorities. In planning their expenditure they will have regard to local circumstances and their own policies for the service, as well as Government views. The Government promulgates longer-term policies for the property and manpower of the education service, as well as the annual expenditure plans. For example, this year the Department set targets for the number of surplus school places to be taken out of use nationally in each year up to 1992. The aim of achieving a student to staff ratio (SSR) of 12:1 in advanced further education is well established, and our plans for 1987-88 and later years imply a significant tightening of SSRs in the non-advanced sector, as part of a longer term efficiency target. The development of policies for the staffing of schools is under discussion with the local education authorities.

Capital Expenditure

The Department of Education and Science should take steps to assess the real, long-term changes in spending on maintenance of assets and to analyse the quality of the capital stock. Where there is evidence of poor maintenance, capital allocations should be revised so as to encourage additional improvements in areas with particularly poor capital stock. In addition, we would favour a more general shift in the balance of public expenditure so as to increase the real level of education capital expenditure. We recommend accordingly. (paragraph 24)

5. The Government acknowledges the desirability of a well-maintained capital stock for the education service. Maintenance of assets is a current expenditure item. It is for local education authorities themselves to decide how much to devote to maintenance within their total current expenditure. Studies of the trends in local authority expenditure on maintenance have

been conducted and will continue. A sample survey of school building improvement needs has recently been launched. It is designed to give a reasonably reliable national picture of the work which local education authorities consider necessary to bring school buildings, other than aided schools, up to defined standards of functional and educational adequacy and of physical and environmental condition for 1991 pupil numbers. The Department will inform Parliament of the outcome of the survey.

6. The methodology for distributing local authority capital provision to individual authorities incorporates the use of an indicator of physical state and educational suitability of school buildings derived from information supplied by local authorities. The methodology is regularly reviewed. How the local authorities spend their capital allocations is at their discretion. Allocations are not tied to specific services.

7. The resources which can be devoted to capital expenditure depend on the merits of the proposed categories of expenditure and the many claims on public expenditure as a whole: the Government notes the Committee's views on the priority which capital expenditure should receive, and has announced in the Autumn Statement increases over previous plans for capital provision for local education authorities and voluntary schools. In addition to these allocations, significant spending power is available to local authorities from capital receipts.

Presentation

It is in our view important that capital spending within central government should be identified in total, separate from current expenditure. We recommend that this should be done in future White Papers. (paragraph 24)

8. The Government will take into account comments made by the Committee, and by the Treasury and Civil Service Committee in its Third Report in the 1985-86 Session, on the presentation of its expenditure plans. It is intended to publish the information requested by the Committee on total central government capital

spending on education in the 1987 Public Expenditure White Paper.

Student Awards

We recommend that the DES immediately consider the equity of continued reductions in the basic student award following a period in which the figures produced by the DES show that there has been a cut in real terms. (paragraph 33)

9. The student support review is considering the financial support of students studying at first degree level in Great Britain. In reaching its conclusions it will take account of the recent changes in the value of the student award and of the Government's aim as expressed in the White Paper "Reform of Social Security" (Cmnd 9691), of removing students from dependence upon social security benefits. It will also take account of the Committee's recommendation.

10. The Government's expenditure plans published in the Public Expenditure White Paper cover three years only. The 1986 White Paper does not cover 1989-90 or subsequent years. Public expenditure is reviewed annually and final decisions on the level of students awards expenditure in the forthcoming year are taken in the light of that review.

Specific Grants

We therefore recommend that the DES, in conjunction with the Department of Employment, takes immediate steps to research the effects (both intended and unintended) of all centrally-funded initiatives and specific grants which affect education and training and that the results of such research should be made public. (paragraph 41)

11. The Committee's report expresses concern that the introduction of the Youth Training Scheme appears to have affected the proportion of young people taking A levels in schools. This point is discussed fully in the DES note of evidence to the

Committee (reproduced as Appendix 5 to the Report). The note drew attention to the Youth Cohort Study which has been designed to provide information on the education, training and employment of young people including the factors which influence the staying on rate. The first report of some preliminary findings was published in July 1986.

12. The Government's policy for 16-19 year olds is that they should be encouraged to continue with their education and training in whatever form is most appropriate to their needs, abilities and aspirations. The small drop in the A level participation rate and the possibility that some young people have opted for YTS who might otherwise have taken A levels is not in itself a cause for concern. The Government has no reason to believe that significant numbers of young people who would derive more benefit from taking A levels are opting for YTS instead.

13. Arrangements to monitor the effects of centrally-funded initiatives on education and training already exist and will be improved and developed. These are:

- (a) Each activity within the Education Support Grant programme is evaluated as shown in Annex 2 to the Committee's report;
- (b) TVEI projects are monitored and evaluated at both national and local level. The results of the evaluations are widely disseminated;
- (c) Contributions from MSC towards work-related NAFE are subject to the acceptance of an LEA's three-year plan and a specific programme for the first year. The responsibility for monitoring provision lies with LEAs. Research continues into evaluation and the establishment of performance indicators.

14. The Committee also mentions the industrial language training service. That service is in the midst of a major review. A consultative document on the scheme was published in April 1986 and any decisions for the future will be made public.

Volume Terms Expenditure Measures

We therefore recommend the introduction of volume measures of past education expenditure in a table presented in the same way as Table 3.12 in the 1986 White Paper to complement the existing cash figures. (paragraph 45)

15. The Government has no plans to introduce volume measures of education spending. Such measures would be inconsistent with the basis of cash planning. Rather than examining the volume of inputs consumed, the Government will continue to encourage the development of performance indicators in education.

Objectives and Performance Measures

It is crucial that consideration be given by the DES to the detail of aims and objectives for the education service and to how the achievement of such aims may be demonstrated. We recommend accordingly. (paragraph 49)

16. The Government is concerned, as is the Committee, that improvements are made in setting objectives for the education service and measuring its performance. The Government's objectives for education are kept under review. Various Government publications have set out detailed objectives for specific parts of the education service; such objectives have been published in "Better Schools" (Cmnd 9469), "The Development of Higher Education into the 1990s" (Cmnd 9524), and more recently, "Working Together - Education and Training" (Cmnd 9823) and in the Public Expenditure White Paper.

17. The Government is encouraging the development of performance indicators for different sectors of the education service within the limits set by the availability of data. It is important that any such measures are consistent, easily understood and workable. In that context the Audit Commission has identified opportunities worth between £0.75 and 1 billion to improve value for money in current expenditure on local authority education, including most recently £500-700 million a year by 1990 from rationalising

provision in response to falling secondary school rolls. The Government believes that if these and other opportunities were seized, LEAs could make good progress with national and local policies for improving quality of education at a substantially lower level of expenditure.

Education: Policy PT10

