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CHIEF SECRETARY	
REC.	20 APR 1990
ACTION	Mr Farthing
COPIES TO	Mr. J. P. McNeill Mr. Anderson, Mr. Edwards Mr. Deane, Mr. Lomas Mrs. Case, Mr. Lawth, Mrs. Chaplin

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
London SW1P 3AG

19 APR 1990

Dec Norman,

ESG AND LEATGS PROGRAMME 1991-92

I am writing to you about my Education Support Grant (ESG) and Local Education Authority Training Grants (LEATGS) programmes for 1991-92. As you are aware, these cannot be left to the Survey, because I need to announce allocations on the basis of local authority bids before the end of the year.

The combined total of the ESG and LEATGS programmes for 1990-91 stands at £355.7m of expenditure supported by £209.4m of grant (excluding the elements for grant-maintained schools, which account for another £2.5m of grant). That expenditure figure represents about 2.4% of total standard spending on education for 1990-91.

In considering the 1991-92 programme, I have the benefit of an efficiency scrutiny report conducted between September 1989 and January 1990. That recommends that the programmes should be retained, brought together into a unitary grant, and focussed more sharply on our principal priorities. I wish to move to implement the thrust of the scrutiny report for 1991-92. These programmes are the principal means of support for the introduction of the ERA reforms. I wish to focus sharply on these in the 1991-92 programme. If we as a Government are to carry conviction in pushing forward with our reforms, and if we are to be able to control and monitor progress with their implementation, I believe it is essential that there should be a marked increase in the total of expenditure supported through specific grants.

For 1991-92 I would wish to support some £461m of expenditure through £274m of grant (including the element for GM schools). Annex A shows the pattern of activities I want to support within the programme. Annex B describes the main areas in which new or

extended grant support is needed, and what would be achieved with the money.

Kenneth Baker did not bid last year for any increase in grant for either ESGs or the LEATGS. So our starting position this year is the baseline provision in 1991-92 of £86.2m for ESGs and £136.6m for the LEATGS (again including elements for GM schools). This was designed to support grant in respect of 1991-92 of £85.1m for ESGs and £128.8m for the LEATGS, making a total of £213.9m, together with some expenditure in respect of earlier years.

The expenditure which these grants will support depends on the grant rate. For the 1990-91 programme the rate for most ESG activities was reduced from 70% to 60%, and the rate for National Priority Areas (NPAs) within the LEATGS from 70% to 65%. The Efficiency Scrutiny recommended that, in a unified programme, the rate for all nationally specified activities should be 60%. In general, I am prepared to accept that, although I shall have to make exceptions for a few existing activities. Those are the handful of activities where a further reduction of the grant rate in 1991-92 would risk inhibiting the effective implementation of Government priorities, and call our commitment into question.

Within the LEATGS there is also a Local Priority Area (LPA) which LEAs can use at their discretion to support training to meet local needs. In the 1990-91 programme, this accounts for over 40% of the total expenditure supported. The Scrutiny recommended that the LPA should be transmuted to form a "flexibility margin" covering both the ESG and LEATGS elements, and accounting for around 20% of the total programme. That seems to me too high. Given that the 1990-91 LEATGS programme is intended mainly to reflect national priorities, and LEAs have a good deal of local discretion and flexibility anyway, I do not see the justification in principle for such a concept. I would like to phase it out altogether. However, my discussions with the Local Authority Associations show that there would be strong opposition if we discarded it straightaway. So I intend to set the flexibility margin at about £50m of supported expenditure, payable at a rate of 50%.

On this basis the existing programme grant for 1991-92 could support total expenditure of £361m - £50m for the flexibility margin and £311m for nationally specified activities.

Of this £311m, £259m is already accounted for by the rolling forward of commitments arising from ongoing training needs and ESG projects begun in previous years. I see no scope for reducing these for 1991-92. Over time, I shall phase out the smaller ESG activities and training NPAs begun in previous years. But that takes time, because most projects require the appointment of additional staff, so they have to be allowed to run for the full period originally notified to LEAs. On the LEATGS side, the training needs covered by most existing National Priority Areas continue to apply, and in all cases there is an expectation that support will not simply be cut off without warning.

These commitments leave only £52m for new and extended activities. That is nowhere near enough to meet the needs. As set out in the Annexes, I calculate that a further £100m of supported expenditure is needed, requiring an additional £60m of grant, with similar increases in the following Survey years. That would give a total, combined programme for 1991-92 of £461m, supported by £274m of grant.

Thus far I have focussed on the required size of the programme and grant for 1991-92. The implications for the expenditure provision depend on the assumptions made about the phasing of grant payments. For ESGs, we expect to pay within the 1990-91 financial year 70% of the grant liabilities attributable to the 1990-91 programme. The rest of the 1990-91 provision will go to meet liabilities outstanding from previous years' programmes. For the LEATGS the rate of payment within year is expected to rise to about 55% in 1990-91, since there is a higher proportion of outstanding claims from previous rounds.

The introduction of a unified programme gives us an opportunity to harmonise the proportion of in-year grant payments for both grants, and to increase the overall proportion. For 1991-92 I would like to continue to pay 70% of the ESG grant programme in year but to increase the proportion of the LEATGS grant paid in year to 65%, with a further increase to 70% in 1992-93. That would require a modest increase in the size of the relevant votes over and above the increase required for an expansion of the 1991-92 programme.

The calculations of the increase in grant programmes and votes required, taking account of the phasing of payments across financial years, are summarised in Annex C. You will see that the required increase in my combined ESG and LEATGS provision is:

	£m
1991-92:	50.0
1992-93:	60.1
1993-94:	57.2

ESGs and the LEATGS give us an essential lever for getting resources deployed to where they are most needed. They enable us to ensure that the Government's education initiatives, and above all the ERA reforms, are implemented in the way we want. And they give a highly visible demonstration of the Government's commitment to providing proper financial backing for our policies.

I attach great importance to these grants. The Efficiency Scrutiny, as well as HMI evidence, shows that they are working well, and achieving an impact out of all proportion to their size. I believe there is a strong case for a significant increase in the programme, to be closely targeted on implementing a few key priorities. Even with the increases I am proposing, total ESG/LEATGS supported expenditure in 1991-92 would still represent only 3% of this year's standard spending for education.

I should be grateful for an early response. The Efficiency Scrutiny recommended that I should publish in May a combined

circular setting out the 1991-92 programme. I should like to try to achieve that. But there is a lot of detailed work to be done, once we have agreed the overall figures, before the circular can issue. I should, of course, be happy to have a meeting if you wish.

I am copying this letter to Chris Patten, Michael Howard and Peter Walker.

Yours etc,

JH

PROPOSED ESG/LEATGS PROGRAMME 1991-92

All the figures are for supported expenditure, not grant.

ERA-RELATED ACTIVITIES

	<u>New/Additional Allocation</u>	<u>Total Allocation including committed expenditure</u>
fm		
1. Management and Local Management:		
1A. Local Management of Schools	40.0	77.4
1B. Projects to improve transfer of information about teachers between LEAs and DES	0.5	1.0
1C. Management training for school staff	-	11.5
1D. School Teacher Appraisal	5.0	14.6
1E. Management Training for FE college staff	1.3	4.7
1F. Computerised Management Information Systems for FE colleges	-	7.5
1G. Local Management of Colleges	-	1.4
TOTAL	46.8	118.1
2. National Curriculum:		
2A. NC Assessment	20.0	35.0
2B. Equipment, training and advisory support for IT, including extension for micros for primary schools	22.0	35.4
2C. NC books	34.5	37.5
2D. Foreign language diversification	5.5	5.5
2E. Strengthening of LEA inspection and advisory services	1.2	4.3
2F. Basic Curriculum (advisory support and materials)	-	13.5

2G. Basic Curriculum (teacher training)	-	56.9
2H. Projects to improve the teaching of science in primary schools, and of English and maths in primary and secondary schools	-	10.3
TOTAL	83.2	198.4
3. Governor Training		
3A. Training for school governors	4.0	9.4
3B. Training for college governors	-	2.0
TOTAL	4.0	11.4
<u>Total ERA-related</u>	134.0	327.9

NON-ERA-RELATED

4. Teacher Recruitment		
4A. Projects to improve recruitment of former teachers and mature entrants to teaching	8.0	10.1
4B. Projects to train Licensed Teachers and Articled Teachers	-	13.4
TOTAL	8.0	23.5
5. Improving provision for Under 5s, including training for teachers of children in primary classes who are younger than "rising five".	3.0	4.6
6. Careers education and guidance, especially for credits	5.0	5.0
7. Health education (including drugs misuse)	-	7.3
8. Projects to follow up the Elton report on school discipline, including projects on school attendance and teacher training,		

	and projects to promote social responsibility	-	8.2
9.	Education for Ethnic Diversity	-	1.5
10.	Training for teachers of children with Special Educational Needs, including educational psychologists and Portage (help for children under 5 with special needs)	-	9.4
11.	Training for FE college staff, including training related to PICKUP courses, IT, SEN, ethnic diversity, and extension of support for training in National Vocational Qualifications	2.0	9.1
12.	Adult education activities, including open learning, adult literacy, adult educational guidance, and support for the Workers' Educational Association	-	6.3
13.	Youth and Community activities, including training for youth and community workers and training for youth leaders in the inner cities.	-	5.5

	<u>Total non-ERA-related</u>	18.0	80.4
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Summary

	TOTAL ERA-RELATED	134.0	327.9
	TOTAL NON-ERA-RELATED	18.0	80.4
	TOTAL NATIONALLY SPECIFIED ACTIVITIES	152.0	408.3
	FLEXIBILITY MARGIN	-	50.0
	OVERALL TOTAL FOR LEA PROGRAMMES		458.3
	BASELINE ELEMENT FOR GM SCHOOLS		2.6
	GROSS TOTAL		460.9

PRIORITIES FOR NEW AND EXTENDED ACTIVITIES

1. The main priorities for new and extended activities within the combined ESG/LEATGS programme for 1991-92, as set out in Annex A, are as follows:

a. Books for the National Curriculum: There is increasing concern about the sufficiency and state of school books, particularly in secondary schools. The NC does not require wholesale re-stocking. But we cannot pretend that it does not require any new books at all, particularly when HMI are finding significant shortcomings in existing book stocks. The state of school books is a key indicator for parents of whether their children's schools are properly resourced, and the National Curriculum (NC) will lack credibility if the necessary books are not there. The cost of purchasing just one new NC-related book for each pupil in key stages 1-3 for each of 7 NC subjects (excluding music, art and PE) at £5.50 per book would be some £190m.

b. National Curriculum Assessment: The new assessment procedures for the NC, which start in primary schools next Summer, will require teachers to adopt new methods and LEAs to undertake new tasks in coordinating the work done by schools and moderating the results to ensure consistency. This needs to be backed up by specific grant. This will enable the Department to require LEAs to submit, as a condition of grant, formal NC Assessment Implementation Plans setting out how they propose to put the new arrangements into place. The activity would support training to prepare teachers for the new procedures, and LEA administration costs.

c. Computers for Primary Schools: We have had for several years ESG and LEATGS activities promoting IT in schools. These have been successful in providing the hardware, software, advice and training that schools need. But the focus so far has been on the secondary sector. On average, there are still only 3 computers in each primary school - about 1 for every 67 pupils. That is not enough to meet the requirements of the NC, which are to be introduced into primary and secondary schools this September, or the wider demands for a computer-literate education service. The programme needs to be extended to support additional hardware and software for primary schools. It would cost some £50m to bring all primary schools up to one micro per classroom.

d. Foreign Language Diversification: The NC will ensure that all pupils study a foreign language up to the age of 16. But within that we also want to promote a wider range of language teaching. At present, French is overwhelmingly the most common foreign language taught. We need to help

schools offer other languages such as German and Spanish as part of the NC, drawing on the expertise which many teachers already have but do not currently use. For that, schools will need financial backing for materials, advisory staff, refresher courses and other support. This policy has received powerful support from the Working Group on Modern Languages in the NC.

e. Local Management of Schools: Here too we already have an ESG programme to help the introduction of LMS. It is supporting the installation of computerised management information systems and staff training in their use, as well as central LEA support teams. But the funds available so far cover the costs of information systems for only about 50% of schools, and provide no support for additional administrative staffing in schools. The success of LMS depends critically on strengthening schools' management capability. A significant expansion of the grant programme is needed to allow for this, supporting additional IT systems, administrative support for schools, training for administrative staff, and the provision of central support to schools by LEAs. Once LMS is properly in place, we shall want to make sure that any overall increase in school support staff is fully offset by reductions in central LEA bureaucracy. But for the transitional period we must ensure that schools have the support they need from the LEA as well as their own administrative capacity.

f. Teacher Recruitment: There are severe difficulties with teacher recruitment in some areas. The Government's education policies will fail if schools cannot recruit teachers of the right quality in the right numbers. This is primarily a question of getting pay and conditions right. But we already have a small ESG programme to help LEAs increase the recruitment of former teachers and mature entrants, covering things like taster courses, advertising and childcare provision. That support needs to be expanded, particularly to widen the provision of childcare facilities to help former teachers return to teaching.

g. Under 5s: The Minister of State is currently chairing an enquiry into provision for the Under 5s. That is expected to report in June/July. Given the sustained pressure for improvements in education for Under 5s, the Government will need to take some positive follow-up action. The proposed ESG activity would push LEAs to improve the organisation of their under-5s provision, and its coordination with the voluntary sector.

h. Careers Education and Guidance, particularly for Credits: The FE credits initiative was launched on 27 March. Its success depends on whether young people are given effective careers education and guidance on how to make best use of their credits. Careers education and guidance need to be strengthened more generally if the economy is to derive the maximum benefit from young people's skills. A specific grant activity to boost careers education and guidance would allow us to push LEAs in the

right direction, while also underlining the important role of the education service in the credits initiative.

2. These are the main new elements to be supported in the 1991-92 programme. In addition, as shown in Annex A, the programme would allow some expansion of key existing activities, including:

- the strengthening of LEA inspection and advisory services to cover the full range of the NC and monitor standards in schools;
- training for school governors, particularly to equip them for LMS;
- training for college managers, to equip them for Local Management of Colleges;
- training in appraisal for school teachers;
- training to prepare college lecturers for the new National Vocational Qualifications.

ANNEX C

£m	1991-92	1992-93	1993-94
A: Total <u>ESG</u> grant liabilities from all programme years to be paid in year	85.0	86.6	88.4
B: Total <u>LEATGS</u> grant liabilities from all programme years to be paid in year	145.8	140.3	138.8
C: A+B combined	230.8	226.9	227.2
D: Increase in programme grant required	60.0	62.1	64.0
E: Total grant liabilities to be paid in year taking account of <u>both the increase in programme grant at D and the phasing of the payment of that increase between FYs</u>	272.8	288.4	291.2
F: Current agreed Vote provision	222.8	228.3	234.0
G: Increase in vote required to meet total grant liabilities (F-E)	50.0	60.1	57.2