

Not for P.M.

C.F.



Barry,

I believe Carys has spoken to you about the need to persuade Mr McGregor not to put in a high bidding letter. She suggested you might find it useful to see the correspondence we have already had with Mr McGregor on the subject of Education Specific grants.

Isleen Campbell

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Treasury Chambers, Parliament

cc:  
 Chancellor  
 Sir Peter Middleton  
 Mr Monck  
 Mr Edwards  
 Mrs Case  
 Mrs Lomax  
 Mr Farthing  
 Mr Ilett  
 Mr D A Loweth  
 Mr Hudson  
 Mrs Chaplin

The Rt Hon John MacGregor OBE MP  
 Secretary of State for Education and Science  
 Department of Education and Science  
 Elizabeth House  
 York Road  
 London  
 SE1 7PH

16 May 1990

*Dear Secretary of State*

**ESG AND LEATGS PROGRAMME 1991-92**

Thank you for your letter of 19 April setting out your proposals for Education Support Group (ESG) and the LEA Training Grant Scheme (LEATGS) for 1991-92.

2. I understand your wish to settle these grants now, so that you can consult the local authority associations, but I am not willing to agree to the additions you propose. At Cabinet on 19 April colleagues agreed that strict control of public expenditure must be maintained; that bids to increase planned levels of public expenditure could not be afforded; and that the approach must be to offset any necessary increases in particular areas by savings elsewhere. I was therefore surprised that you then - on the same day - wrote to me proposing to increase by nearly 29 per cent the level of ESG/LEATGS in 1991-92 over that for 1990-91.

3. Although you point out that the increases you propose would lift the total expenditure supported by ESG/LEATGS in 1991-92 to no more than 3 per cent of this year's education standard spending (compared to the current 2.4 per cent); I cannot agree to any increase in the proportion, as to do so would inevitably reduce the amount available to local authorities' to spend on their own priorities. Any proposal - such as yours - which could push up local authority spending and, with it, community charge levels, is doubly undesirable. Specific grants should be used only for a small number of clearly defined, special initiatives. While, therefore, the reduction in the number of activities to be supported is welcome, the proposed increase in expenditure is not. Affordability is a key factor here and, as Cabinet has agreed, in this year - of all years - there is a need to demonstrate restraint.

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4. I see that you cite the Efficiency Scrutiny report to support your case for a significant increase in the level of grant, but, in fact, the report's authors found no reasons why the level of grants should be dramatically reduced or increased. On that basis, I was very surprised that you should be proposing a 22 per cent addition to the baseline.

5. You argue that an increase is needed to ensure that LEAs direct provision to areas of national priority. But as you know, local authorities have increased their spending by some 14½ per cent in 1990-91. Among the main reasons which they give for this very high growth is their spending on local Management of Schools and the National Curriculum: two of the areas you are targeting with your grants. From this I infer that much of the spending you are aiming to encourage may well already be going on, at the chargepayer's expense. Channelling even more resources into higher funding for specific grants will merely encourage yet more marginal expenditure. Individuals would be paying again as taxpayers for services which they have already paid for as chargepayers.

6. It is particularly disappointing that you have offered no offsetting savings to finance your bid. You mention the phasing out of LPAs and a number of smaller ESG/LEATGS activities, and accept the case for a reduction in the grant rate for most LEATGS activities from 65 per cent to 60 per cent, but none of this appears to have much impact on the size of grant you propose. I must ask you to look at this again: to determine exactly what your priorities are and how they can be accommodated within the baseline provision. I am not prepared to accept any additions to the present level of grant or to consider further proposals which would increase total spending on these schemes by nearly 30 per cent. Indeed, I had hoped that you would be able to come forward with some reductions, especially as you plan to reduce the grant rate for most LEATGS activities. If you do, nonetheless, wish to support new activities, then the only scope for doing so lies in reallocating resources and adjusting the grant rates downwards. If you think it helpful, my officials would be happy to discuss this possibility with yours. But I must make it clear once again - as I did at Cabinet - that there is no scope for providing additional resources without offsetting savings elsewhere in your programme.

7. I am copying this letter to Chris Patten, Michael Howard and David Hunt.

Yours sincerely

*Norman Lamont*

NORMAN LAMONT

Approved by the Chief Secretary  
and signed in his absence.