



DEPARTMENT OF EDUCATION AND SCIENCE

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FROM THE SECRETARY OF STATE

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Sam Britton

PENSIONS INCREASE AND THE INDEPENDENT SCHOOLS

You may know of the following point, either from your officials or (as I understand, though I have not seen it) from the Third Report of the Official Committee on the Value of Pensions.

2. Under the Pensions (Increase) Act 1971, all "official pensions" are periodically increased. Part I of Schedule 2 brings within the definition of "official pensions" those coming under the Teachers' Superannuation Scheme. Many independent schools have long been accepted within that Scheme, and their teachers' pensions are accordingly "official pensions" and fall to be increased under the Act. Both the independent schools and their teachers pay the required contributions to the (notional) fund from which the teachers' pensions are subsequently paid; but since the cost of pensions increase is not borne by the fund but by the Exchequer, they do not (except as taxpayers) contribute to that cost.

3. I understand that the Third Report of the Official Committee recommends that the Treasury should discuss with my Department whether this form of subsidy to the independent schools, at a cost to the Exchequer which may be of the order of £10m per annum, should continue. I am very willing for such discussions to be begun, though I can see that it may not be possible to take them all the way to a conclusion until we have made up our minds how to proceed on the wider questions about paying for pensions increase arising from the Scott Report.

4. On the other hand, I increasingly feel that we might be unwise to leave the particular point about the independent schools in abeyance until we are ready to deal with the Scott Report issues more generally. Rather remarkably, the subsidy that the 1971 Act

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grants to the independent schools has gone quietly on, without notice being taken of it, for ten years. I understand it may now be coming to Derek Rayner's attention through a scrutiny currently in progress on the Government Actuary's Department. So, for this or other reasons, the subsidy could become the subject of wider discussion and perhaps public comment before we activated it ourselves as a question arising out of the Scott Report.

5. You don't need me to tell you that the matter could be controversial, both in educational and in financial terms. I think we would do better to take hold of it now, and thus have some control of the manner and timing of its becoming a subject of wider discussion, than to risk the appearance of being taken by surprise. I would be grateful if we might have an early word together as to how best to proceed.

Evans

/Ceri

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