



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

JH
21/12

T Flesher Esq
Private Secretary
10 Downing Street
London SW1

21 December 1982

Dear Tom,

1983-84 ADVANCED FURTHER EDUCATION (AFE) CAPPED POOL DISTRIBUTION

Further to my letter of yesterday, I now enclose a table setting out the allocations to LEAs from the 1983-84 AFE quantum broken down between polytechnics and other maintained establishments. This will be issued tomorrow when the Parliamentary statement is made on the AFE capped allocations. Copies of the table will be placed in the Library of the House and made widely available together with the summary note enclosed with my letter of yesterday.

As you will see, the allocations imply severe reductions for the higher spending institutions, for example Middlesex Polytechnic.

Yours ever,

Imogen Wilde

MRS I WILDE
Private Secretary

1983-84 CAPPED ADVANCED FURTHER EDUCATION POOL ALLOCATIONS

LEA	Institution	1982-83 net alloca- tion £m cash	1983-84 net alloca- tion £m cash	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
Barking	North East London Polytechnic	18.032	16.485	- 10.9
	OMEs ¹	0.093	0.114	- 28.7
	Total	18.125	16.599	- 11.1
Barnet	Middlesex Polytechnic	16.223	15.933	- 11.6
	OMEs	0.207	0.200	+ 6.2
	Total	16.430	16.133	- 11.5
Bexley	OMEs	0.992	1.076	- 14.8
Brent	OMEs	1.204	1.252	- 7.8
Bromley	OMEs	2.446	2.466	- 5.6
Croydon	OMEs	1.717	2.202	+ 5.2
Ealing	OMEs	4.387	4.772	- 8.6
Enfield	OMEs	0.149	0.170	- 7.4
Haringey	OMEs	0.777	0.872	- 14.8
Harrow	OMEs	1.708	1.854	- 12.2
Havering	OMEs	0.519	0.501	- 5.1
Hounslow	OMEs	3.062	2.986	- 9.0
Kingston upon Thames	Kingston Polytechnic	12.152	12.344	- 13.0
	OMEs	0.396	0.478	- 11.5
	Total	12.548	12.822	- 12.9
Merton	OMEs	0.977	1.024	- 12.5
Newham	OMEs	0.820	0.747	- 2.5
Redbridge	OMEs	0.014	0.019	- 15.6
Richmond upon Thames	OMEs	0.406	0.647	- 10.3
Waltham Forest	OMEs	0.203	0.216	- 2.0
Inner London	Polytechnics	54.464	54.081	- 9.1
	OMEs	20.520	22.535	- 16.7
	Total	74.984	76.616	- 11.4

LEA	Institution	1982-83 net alloca- tion £m cash	1983-84 net alloca- tion £m cash	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
Birmingham	City of Birmingham Polytechnic	12.759	12.576	- 3.8
	OMEs	1.525	1.451	+ 10.2
	Total	14.284	14.027	- 2.6
Coventry	Coventry (Lanchester) Polytechnic	13.550	13.721	- 4.4
	OMEs	0.621	0.743	- 20.2
	Total	14.171	14.464	- 5.4
Dudley	OMEs	0.698	0.786	- 12.9
Sandwell	OMEs	1.775	1.921	- 18.0
Solihull	OMEs	0.067	0.075	- 5.8
Walsall	OMEs	1.664	2.044	- 28.6
Wolverhampton	The Polytechnic, Wolverhampton	12.360	12.203	- 11.3
	OMEs	0.197	0.197	+ 3.2
	Total	12.557	12.400	- 11.1
Liverpool	Liverpool Polytechnic	13.709	14.734	- 10.1
	OMEs	4.494	3.661	- 15.7
	Total	18.203	18.395	- 11.3
St Helens	OMEs	0.467	0.583	- 24.7
Sefton	OMEs	0.030	0.042	- 18.9
Wirral	OMEs	0.744	0.827	- 5.6
Bolton	OMEs	2.331	3.019	- 15.5
Bury	OMEs	-	0.007	- 50.5
Manchester	Manchester Polytechnic	19.451	19.723	- 7.1
	OMEs	4.359	4.909	- 22.0
	Total	23.810	24.632	- 10.3
Oldham	OMEs	0.334	0.441	- 14.6
Rochdale	OMEs	0.036	0.045	- 13.5
Salford	OMEs	2.573	2.935	+ 0.8

LEA	Institution	1982-83 net alloca- tion £m cash	1983-84 net alloca- tion £m cash	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
Stockport	OMEs	1.411	1.632	- 8.0
Tameside	OMEs	0.086	0.105	- 13.8
Trafford	OMEs	0.264	0.288	- 4.4
Wigan	OMEs	1.176	1.224	- 4.7
Barnsley	OMEs	0.336	0.379	- 8.3
Doncaster	OMEs	1.526	1.820	- 11.4
Rotherham	OMEs	0.251	0.324	- 14.9
Sheffield	Sheffield City Polytechnic	18.611	18.805	- 4.2
	OMEs	0.701	0.869	+ 10.3
	Total	19.312	19.674	- 3.6
Bradford	OMEs	3.382	3.492	- 9.7
Calderdale	OMEs	0.035	0.043	- 13.0
Kirklees	Huddersfield Polytechnic	10.718	10.572	- 8.8
	OMEs	0.034	0.110	+130.7
	Total	10.752	10.682	- 8.2
Leeds	Leeds Polytechnic	14.147	14.005	- 3.3
	OMEs	0.775	0.923	- 8.1
	Total	14.922	14.928	- 3.6
Wakefield	OMEs	1.709	1.854	- 9.4
Gateshead	OMEs	0.233	0.323	- 22.8
Newcastle upon Tyne	Newcastle-upon-Tyne Polytechnic	14.885	15.051	- 6.2
	OMEs	0.473	0.642	+ 26.5
	Total	15.358	15.693	- 5.2
North Tyneside	OMEs	0.021	0.017	+ 27.1
South Tyneside	OMEs	0.730	0.956	- 24.2
Sunderland	Sunderland Polytechnic	9.933	9.717	- 7.1
	OMEs	0.134	0.195	- 25.5
	Total	10.067	9.912	- 7.5

LEA	Institution	1982-83 net alloca- tion £m cash	1983-84 net alloca- tion £m cash	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
Avon	Bristol Polytechnic	13.005	13.299	- 7.1
	OMEs	3.335	3.622	- 17.3
	Total	16.340	16.921	- 9.4
Bedfordshire	OMEs	3.275	3.792	- 17.9
Berkshire	OMEs	5.141	6.193	- 15.9
Buckinghamshire	OMEs	2.250	2.422	- 14.7
Cambridgeshire	OMEs	2.934	3.332	- 14.4
Cheshire	OMEs	4.294	4.951	- 23.5
Cleveland	Teesside Polytechnic	7.038	7.280	- 16.6
	OMEs	0.398	0.486	+ 19.3
	Total	7.436	7.767	- 15.1
Cornwall	OMEs	1.067	1.234	- 23.3
Cumbria	OMEs	1.290	1.519	- 21.3
Derbyshire	OMEs	3.872	4.820	- 25.4
Devon	Plymouth Polytechnic	8.916	9.152	- 8.4
	OMEs	3.202	3.865	- 21.6
	Total	12.118	13.017	- 12.6
Dorset	OMEs	4.051	4.710	- 5.7
Durham	OMEs	2.243	2.242	- 7.0
East Sussex	Brighton Polytechnic	13.123	12.683	- 12.4
	OMEs	0.538	0.686	- 14.6
	Total	13.661	13.369	- 12.5
Essex	OMEs	5.964	6.936	- 13.5
Gloucestershire	OMEs	3.311	3.524	- 4.4
Hampshire	Portsmouth Polytechnic	16.107	15.660	- 5.1
	OMEs	5.580	6.430	- 11.1
	Total	21.687	22.090	- 7.0
Hereford and Worcester	OMEs	3.548	3.528	- 13.1

LEA	Institution	1982-83	1983-84	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
		net alloca- tion £m cash	net alloca- tion £m cash	
Hertfordshire	Hatfield Polytechnic	10.427	10.408	- 5.4
	OMEs	3.032	3.750	- 18.7
	Total	13.459	14.158	- 9.4
Humberside	OMEs	5.255	6.052	- 21.9
Isle of Wight	OMEs	0.090	0.089	+ 4.1
Kent	OMEs	4.264	5.336	- 7.0
Lancashire	Preston Polytechnic	9.849	9.486	- 9.5
	OMEs	4.940	5.545	- 14.3
	Total	14.789	15.031	- 11.4
Leicestershire	Leicester Polytechnic	14.764	15.253	- 6.1
	OMEs	1.412	1.538	- 11.8
	Total	16.176	16.791	- 6.7
Lincolnshire	OMEs	0.576	0.649	+ 7.2
Norfolk	OMEs	2.302	2.472	- 10.5
North Yorkshire	OMEs	0.952	1.273	- 21.6
Northamptonshire	OMEs	2.607	3.132	- 15.3
Northumberland	OMEs	0.364	0.289	+ 21.7
Nottinghamshire	Trent Polytechnic	17.493	17.985	- 5.5
	OMEs	0.613	0.557	+ 14.7
	Total	18.106	18.542	- 5.0
Oxfordshire	Oxford Polytechnic	8.842	9.541	- 7.6
	OMEs	0.173	0.324	- 22.0
	Total	9.015	9.865	- 8.1
Shropshire	OMEs	0.338	0.342	+ 2.2
Somerset	OMEs	0.360	0.395	- 4.6
Staffordshire	North Staffordshire Polytechnic	10.442	10.577	- 13.6
	OMEs	0.564	0.705	- 5.5
	Total	11.006	11.282	- 13.1
Suffolk	OMEs	1.559	1.621	- 7.6

LEA	Institution	1982-83	1983-84	Resulting reduction in gross expendi- ture ² in real terms between 1981-82 and 1983-84 on the inflation assump- tions used ³ (%)
		net alloca- tion £m cash	net alloca- tion £m cash	
Surrey	OMEs	3.688	4.249	- 11.5
Warwickshire	OMEs	0.348	0.383	- 5.1
West Sussex	OMEs	1.460	1.955	- 14.5
Wiltshire	OMEs	1.023	1.265	- 14.0

Notes:

1. Other maintained establishments
2. For the purposes of this comparison, the adjustment in respect of DATEC students has been included, but catering and residence, central administration and additions for information technology have been excluded.
3. The assumptions are of 7.5 per cent price increases in 1982-83 together with 3.5 per cent pay and 6 per cent price increases in 1983-84.

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FROM THE SECRETARY OF STATE

Mr Richert to see

JA

20/12

20 December 1982

T Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

Dear Tom,

1983-84 ADVANCED FURTHER EDUCATION (AFE) CAPPED POOL DISTRIBUTION

I am writing to give you advance notice that my Secretary of State will be making an announcement on Wednesday 22 December of the AFE capped pool allocations for 1983-84. I enclose a copy of the announcement, which is to be made by means of a Written Answer, together with a summary note about the determination and distribution of the capped AFE pool for 1983-84 which will be made widely available.

In advance of this announcement, my Secretary of State will be giving details tomorrow, through a Written Answer, of his proposals for the distribution among the LEAs of the £2m included within the capped AFE pool for 1983-84 to finance the expansion of information technology provision in the local authority sector.

Yours ever,

Inogen Wilde

MRS I WILDE
Private Secretary

DRAFT PQ ANNOUNCING THE 1983-84 AFE CAPPED POOL ALLOCATIONS

Question: To ask the Secretary of State for Education and Science if he is yet in a position to announce the AFE capped pool allocations for 1983-84?

Answer

Letters are being sent to local education authorities today notifying them of their AFE capped pool allocations for 1983-84. Copies of a note which sets out the allocations and summarises the methodology used in deciding on the allocations (together with a more technical supplement) has been placed in the libraries of both Houses.

After consultation with the local authority associations I have determined the AFE Quantum for 1983-84 to be £560.5m. This includes an addition of £2m for the expansion of provision for information technology: details of which I announced yesterday.

The principles and methodology I have adopted in distributing the capped AFE pool for 1983-84 are those recommended by the Committee of the National Advisory Body. These include most notably the provision of a common level of funding for equivalent areas of work and adjustments to take account of the level of expenditure on AFE in 1981-82 and the capped pool distribution for 1982-83. The resulting allocations should place the greatest pressure for economies on those institutions with the highest unit costs and afford a measure of protection to the more economical institutions.

The National Advisory Body will be considering further refinements in the method of distributing the quantum in the context of their 1984-85 planning exercise.

THE DETERMINATION AND DISTRIBUTION OF THE CAPPED ADVANCED FURTHER EDUCATION
POOL, 1983-84

Note by the Department of Education and Science

Introduction

1. The Secretary of State took powers in the Education Act 1980 to determine in advance for each year, after consultation with the local authority associations, the amount of expenditure on higher education nationally which LEAs may pool,¹ and how that amount should be distributed amongst the LEAs engaged in the provision of higher education. This note outlines in general terms the basis for the determination of the "capped" advanced further education (AFE) pool for 1983-84 (the quantum) and the method adopted for its distribution which is that recommended by the Committee of the National Advisory Body set out in the Annex to this note.

The capped AFE pool 1983-84

2. As was foreshadowed in his announcement on 8 November, the Secretary of State has, after consultation with the local authority associations, determined the AFE quantum for 1983-84 to be £560.5m which includes an addition of £2m for the expansion of courses designed to improve the supply of qualified manpower in information technology. This compares with the 1982-83 quantum of £539m. The forecasts of AFE expenditure in 1983-84 underlying the quantum have been increased compared with the Government's expenditure plans as set out in the last Public Expenditure White Paper (Cmd 8494), to take account of the limited progress which authorities have made so far in reducing their aggregate expenditure on AFE in line with the Government's policy on higher education expenditure.

3. The Quantum implies an estimated reduction in AFE expenditure of the order of 10 per cent in real terms compared with 1981-82; the precise figure will depend crucially on pay settlements over the coming months and the extent to which authorities contain their wages and other costs. The Quantum implies the loss of 2,000 full-time equivalent lecturer posts in AFE by next October and comparable reductions in non-academic staff in 1983. The enhanced

¹ Pooling is the arrangement under which the costs of certain services which are provided unevenly across local authorities are shared among them all by means of adjustments to their Block Grant.

redundancy compensation terms announced by the Secretary of State on 4 November are intended to assist LEAs and their institutions to secure an orderly decrease in lecturer numbers and effective rationalisation of AFE provision. Expenditure on premature retirement compensation and redundancy payments will be met - as in 1982-83 - from a separate open pool.

4. The following paragraphs describe the methodology used in distributing the quantum.

Distribution of the 1983-84 capped AFE pool

5. For the first two years after the capping of the AFE pool, the distribution methods were based on authorities' forecasts of spending rather than on any more objective assessment of expenditure requirements. For 1982-83, a new and more equitable distribution method was developed in consultation with the local authority associations and representatives of the institutions.

6. This new method involved the calculation of a level of basic or common funding consistent with the Government's overall expenditure plans by the application of a set of unit costs for each of three main subject groups in polytechnics and other major establishments (OMEs) respectively to recent actual student numbers. The three main groups are Group I (laboratory and workshop based subjects), Group II (classroom based subjects) and Art and Design. The unit costs were deliberately set below the average provided for in the Government's plans so that a proportion of the pool remained available for distribution by other criteria. This second element - further funding - was allocated by reference to the most recent actual expenditure levels, to act as a form of safety net. Those institutions with the highest unit costs were therefore required to make the largest reductions in expenditure, but with a constraint on the maximum reduction expected of individual institutions.

7. The principles underlying the 1983-84 distribution - which have been adopted on the basis of advice from the National Advisory Body (NAB) and the Pooling Committee - are essentially the same as in 1982-83, although a number of refinements and developments have been incorporated many of them made possible by the availability of improved and extended sources of data. (cf paragraphs 8-12). However, there is one major departure from the 1982-83 methodology in that a 'moderation' stage has been overlaid onto the common and further

funding calculations to protect institutions from large reductions to their allocations between 1982-83 and 1983-84. (cf paragraphs 13-14).

8. In the common funding calculations for 1983-84, the latest actual student numbers (November 1981) have been used. The unit costs used for the three main subject groups have been based on established data (which continues to be supported by the latest evidence). This subject classification into the three groups has been refined by bringing computing and related subjects within the laboratory and workshop based subject group. A separate enhanced unit cost has been applied to conservatoire music students in recognition of the intrinsically high costs of this provision. The factors used for converting part-time day and evening only students to full-time equivalents have been enhanced, in recognition of the importance of these modes of provision. College closures and mergers have been reflected as far as possible in the student numbers base.

9. The common funding calculations reflect the Secretary of State's decisions (announced on 8 November) on target intakes to initial teacher training courses in 1983. They also make allowance for students on Higher Diploma and Higher Certificate TEC courses in design and art (DATEC) that were previously classified as non-advanced courses. As was announced on 21 December the additional £2m for information technology has been allocated in support of initiatives in specific institutions as recommended by the NAB.

10. Analysis of institutions' 1981-82 actual unit costs showed that, when allowance is made for their different mixes of students between the main subject groups, the averages for polytechnics and OMEs were very similar but that there was a very wide range of costs between individual institutions (from under £2,000 to well over £4,000 gross). This led to the conclusion that in the interests of simplicity and equity, there were strong arguments in favour of a single set of common funding unit costs being used in 1983-84, rather than separate unit costs for polytechnics and OMEs as in 1981-82

11. The proportion of the gross AFE pool devoted to common funding has been increased from 85 per cent in 1982-83 to 88 per cent in 1983-84 (and the proportion devoted to further funding thereby reduced to 12 per cent). This will afford relatively greater protection to low spending institutions. However, it is recognised in the light of the wide range of institutional unit costs observed in 1981-82 that further funding has an important role to play in cushioning the unavoidable insensitivities of common funding as well as in providing transitional protection for high spenders.

12. Further funding has been distributed in 1983-84 by reference to latest actual expenditure levels (ie 1981-82 outturn expenditure). Further funding has been calculated separately for all institutions with more than 10 per cent AFE, thereby giving a much more sensitive result for OMEs than the 1982-83 distribution which treated each authority's OMEs as a block. A single further funding schedule has been used for all institutions. The reduction in real terms between 1981-82 and 1983-84 for the highest spending institutions has, at this first stage of mitigation, been constrained to 20 per cent. The calculations also assume at this stage of mitigation that the lowest spending institutions should not be required to make any real reduction (on the inflation assumptions used) below their 1981-82 spending level in 1983-84.

13. The net expenditure figures for 1983-84 were derived from the total of common and further funding after allowance had been made for fee income, the continuing subsidies for catering and residence and central administration costs. The resulting allocations showed a significantly different pattern of allocations compared to those for 1982-83.

14. The changes resulted from such factors as the use of 1981 rather than 1980 student numbers, the incorporation of certain changes in the common funding methodology including in particular the use of units of funding which are not differentiated by type of institution, and the distribution of further funding in relation to 1981-82 rather than 1980-81 outturn expenditure.

15. The NAB Committee were particularly concerned about the consequences of such marked year on year changes in allocations and in the interests of stability and realism they recommended that there be a second stage of mitigation which would moderate the impact of the year on year changes which would otherwise occur. This 'moderation stage' involved a halving of the estimated real terms year on year difference between net 1982-83 allocations and unmoderated 1983-84 allocation to give the final 1983-84 allocations. Although the calculations for common and further funding were done at institutional level (except for those institutions with less than 10% AFE) the allocations in the ^{annex} are differentiated only as between polytechnics and other maintained institutions as the 'moderation stage' can only operate at the same level of aggregation as the 1982-83 allocations. Therefore the adjustments attributable to the moderation stage have not been

specifically related to individual institutions: consequently no institutional breakdown of the allocations between other maintained establishments within oen authority (or between polytechnics in ILEA) has been calculated.