



DEPARTMENT OF EDUCATION AND SCIENCE  
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 FROM THE SECRETARY OF STATE

✓ CC NO

②

Prime Minister

MLW 13/7

13 July 1983

*Dear Willie,*

*ms*

## EDUCATION SUPPORT GRANTS

H Committee approved in principle on 31 January (H(83)2nd Meeting) my proposal that legislation should be introduced to enable me to pay specific grants to local education authorities in support of particular items of expenditure. I was invited to set in hand the preparation of the necessary legislation, to consult the local authority associations about the proposals and, in the light of those consultations, to pursue certain detailed aspects of the proposals with colleagues.

The Queen's Speech promised the Bill in this Session. Drafting is well advanced and there should be no difficulty about its introduction as soon as Parliament reassembles in the autumn.

I have now completed my consultations with the local authority associations. They remain opposed in principle to any extension of specific grants as an erosion of local authority discretion, an issue which may be raised in the Consultative Council on Local Government Finance on 25 July. But, having made that clear, they discussed our proposals with me in a constructive way.

The purpose of this letter is to seek your agreement and that of colleagues on two matters which remain to be settled - the proportion of expenditure to be eligible for the new grants and the rate of grant itself.

/Proportion

The Rt Hon Viscount Whitelaw CH MC  
 Lord President of the Council  
 68 Whitehall  
 LONDON SW1A 2AT



Proportion

I proposed to H Committee that the proportion of the planned level of local authority expenditure on education to be supported by educational support grants (ESGs) should be limited to 0.5% ie about £50m. Leon Brittan and Tom King argued then that the legislation should specify a lower limit than this; and the consultative document, enclosed with my letter of 8 March, referred to a limit of less than 0.5%. But ESGs may well be necessary for some of the educational initiatives of national importance in our Manifesto, as well as those mentioned in the consultative document; and I am strongly of the opinion that the legislation should refer to a maximum figure of 0.5%, even though in 1985-86, the first year in which it would operate, I would not expect to reach this limit. I do not think that this figure would be seriously challenged in Parliament.

There is a further point about the limit. At the end of last year we launched the technical and vocational education initiative (TVEI), with grants from the Manpower Services Commission (MSC) to local authorities starting in 1983-84. More recently we have decided to increase the scale of TVEI so as to bring in additional authorities in 1984-85. The total of the MSC's grants, which are planned to last five years, are due to reach £30m a year by 1985-86. Norman Tebbit and I expect that this Department would in due course take over responsibility for the grants. I think, therefore, that the Bill should empower the Secretary of State to increase the proportion from an initial figure of 0.5% to an upper limit of 1.0%, subject to approval of the House by affirmative resolution. I would propose to make it clear on second reading that the main reason for seeking this power was to provide for the possibility of the TVEI being taken over later on by this Department. Further primary legislation would however be necessary to increase the proportion above 1%.

The local authority associations considered that there was a strong case for my ultimately assuming responsibility for the TVEI and did not on that account object to the proposition that an increase in the proportion of educational expenditure supported by ESGs might be justified. Their main concern (and mine) is that the resources for TVEI should be transferred simultaneously to the education programme.

Rate of Grant

My original proposal was that the rate of grant should be 75% of the approved expenditure, as under the urban programme and Section 11 of the Local Government Act 1966. Because of concern expressed by one or two colleagues, my consultative paper referred to a maximum rate of 70%. The local authority associations believe that there is a strong case for 75% and see little merit in small variations in grant rates: some of their members even argued that the rate should never be less than 75% and might even be more. My conclusion is that the legislation ought to provide for a maximum rate of grant of 75%.

/Conclusion



Conclusion

I therefore propose that the Bill should specify that:

- a. the maximum proportion of the planned level of expenditure on education to be supported by ESGs should be 0.5%, with a proviso that
- b. the limit could be increased to 1.0%, subject to affirmative resolution; and
- c. the maximum rate of grant payable on approved expenditure should be 75%.

I am copying this letter to the Prime Minister, other members of H Committee and Sir Robert Armstrong. It would be helpful if colleagues would let me know by 22 July if they are content with my proposals so that the drafting of the Bill can be completed.

*G. ...*

*Kear*



Educ Policy Pt 3

1981 JUL 2







PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

29 July 1983

The Rt Hon Sir Keith Joseph Bt MP  
Secretary of State for Education and Science

MBM

MS 29/7

Dear Keith

EDUCATION SUPPORT GRANT

Thank you for your letter of 13 July in which you seek H Committee's approval for the proportion of expenditure which you propose should be eligible for the new education support grants and for the rate of the grant itself.

I see that Jim Prior, Nicholas Edwards, Norman Tebbit and Arthur Cockfield have written to say they are content with what you propose, but I understand that Peter Rees has serious reservations. I would also like to be sure, before giving the Committee's approval, that Patrick Jenkin is content. I think the best thing might now be for you to consult with them further to see how any difficulties might be overcome, and to bring the matter back to the Committee in due course. I hope that will not seriously delay the preparation of the Bill; if it would be helpful to have a meeting in September, I will gladly arrange one.

I am sending copies of this letter to the Prime Minister, to members of H Committee and to Sir Robert Armstrong.

*[Handwritten signatures]*



29 JUL 1983







cc Kro  
WML/S

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:  
Your ref:

1 August 1983

Dear Keith,

Thank you for copying to me your letter of 13 July to Willie Whitelaw.

will request, if required.

I am not persuaded that there are any strong grounds for departing from the view expressed by Tom King in his letter to you of 3 March. The higher the quantum of specific grants the less there is available for distribution in block grant to support local authorities' other spending needs. Tom King argued that a grant rate of 60% to 65% would be more consistent with the present local aggregate Exchequer grant (AEG) rate. I do not think we should accept a maximum grant rate of more than 70%.

I am also concerned that you now propose a basic ceiling on grant-aided expenditure of 1/2% planned education expenditure. This is a significant departure from what was agreed in March. I am prepared to move from the percentage figure of 1/2% proposed by Tom King, but I would not wish to go higher than specific grant payable on about £30m in 1983/84 terms (ie about 1/2%).

Finally you raise the technical and vocational education initiative (TVEI). This seems to me a separate question, and one which was not discussed in January. This expenditure is 100% funded by the Manpower Services Commission and is outside the rate support grant system. Whether at some future date it ought to be brought within RSG and, if so, how it should be grant-aided, are issues which we should consider then. I should not have thought we would want to make any decision or announcement about that now.

I am copying this letter to the Prime Minister, other members of H Committee and Sir Robert Armstrong.

*Yours ever*  
*Patrick*

PATRICK JENKIN

The Rt Hon Sir Keith Joseph Bt MP



EDUCATION Policy

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*Oddi wrth Ysgrifennydd Gwladol Cymru*



*R. Martin*

NBPM

*Two*

MS 27/7 WELSH OFFICE  
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*From The Secretary of State for Wales*

The Rt Hon Nicholas Edwards MP

27 July 1983

*Der Ket*

Thank you for sending me a copy of your letter of 13 July to Willie Whitelaw. I have noted your proposals with interest.

The Welsh Counties Committee which I consulted on the Education Support Grant proposal at the same time as you consulted local authority associations in England not unexpectedly registered strong disapproval in principle of the proposed arrangements, but did not make detailed responses on TVEI or the grant level such as those you report were made in England. Nonetheless, the same considerations with regard to any transfer of TVEI funding will no doubt obtain in Wales, and I would not dissent from the proposal for a 0.5% maximum limit of expenditure with a possible increase to 1% if necessary, and for the rate of grant to be 75%.

We shall need to consider carefully the presentation of and the arguments for the higher limit proposals to minimise the criticisms which no doubt will be made about what will be alleged to be the erosion of local authority responsibility implied in these proposals.

I am copying this letter to the Prime Minister, other members of H Committee and to Sir Robert Armstrong.

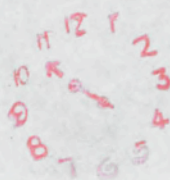
*J. e.*  
*N.M.*

The Rt Hon Sir Keith Joseph Bt MP  
Secretary of State for Education and Science



Education  
Policy Pt 3

27 JUL 1985





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CCNO



NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

The Rt Hon Sir Keith Joseph Bt MP  
Department of Education and Science  
Elizabeth House  
York Road  
LONDON  
SE1 7PH

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ms 25/7

21 July 1983

21 JUL 1983

*See back*

Thank you for sending me a copy of your letter of 13 July to Willie Whitelaw.

As you will probably be aware in Northern Ireland the statutory relationship between Government and the local Education and Library Boards is such that the power already exists to achieve the objectives sought by the proposed new legislation in England. There is in theory no limit to the extent that funding can be earmarked, but the policy is to give the Boards as much discretion as possible so that the detailed allocation of resources between local education services reflects their assessment of local priorities. To date therefore earmarked funding has been confined to specific policy initiatives such as the Area Boards' contribution to the Youth Training Programme.

There seems little doubt that the implementation of desirable new initiatives both here and in England will be dependent on earmarked funding or specific grants and I am content with the proposals you have put forward.

I am copying this letter to the Prime Minister, the Chairman and other members of H Committee and Sir Robert Armstrong.

*[Handwritten signature]*

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Education  
Policy, Pt 3

JUL 1983







Caxton House Tothill Street London SW1H 9NF

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The Rt Hon Sir Keith Joseph Bt MP  
 Secretary of State  
 Department of Education and Science  
 Elizabeth House  
 York Road  
 LONDON SE1.

25 July 1983

D Keith.

## EDUCATION SUPPORT GRANTS

You sent me a copy of your letter of 13 July to Willie Whitelaw about your legislation on specific grants.

I entirely agree with your suggestion that the upper limit on the proportion of planned local authority spending on education to be supported by specific grants should be set at a level which will accommodate support for schemes of technical and vocational education. In the absence of other evidence about the kind of sums that might be appropriate, I think it is sensible to allow for continued spending of the order currently anticipated under the Technical and Vocational Education Initiative (TVEI) and this would imply an upper limit of 1%.

We shall obviously need to discuss in due course with David Young the financing of technical and vocational education in future years in the light of the new powers you propose to take. As you know, I would expect any continuing support beyond the 5 year period to be carried on the education budget in the form of specific grant. Meanwhile however I think that we shall need to be a little careful about our public references to what we intend. First and most important, we need to make clear that we are not talking about transferring the Commission's current responsibilities for the schemes to your Department within their 5 year contractual period. Secondly it is still too early to judge whether we shall wish to keep the pilot schemes going with broadly the present system of funding beyond their current term. And thirdly I am doubtful whether there will be any substantial resources allocated to the TVEI to be "transferred" at the end of the 5 year period.





I should be grateful therefore if you would ask your officials to keep in touch with mine about the briefing for your Bill in so far as it bears on the TVEI. But I emphasise that my concern is simply in relation to presentation, and I am sure it is right for the Bill to enable you to provide significant support for technical and vocational education by way of specific grant.

I am copying this letter to the Prime Minister, other members of H Committee and Sir Robert Armstrong.

*J. Norman*



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25 JUL 1983

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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph MP  
 Secretary of State  
 Department of Education and Science  
 Elizabeth House  
 York Road  
 London SE1 7PH

22 July 1983

*Stan Keith*

EDUCATION SUPPORT GRANTS

Your letter of 13 July to Willie Whitelaw proposed two changes in the proposals for education support grants set out in your consultation document. I fear I see difficulties in both.

I could agree to a limit on qualifying expenditure set as high as  $\frac{1}{2}$  per cent of planned local authority education expenditure only on the strict understanding that you were not to regard this maximum figure as an entitlement. Both the purposes for which the grant was to be given and the amount of qualifying expenditure for any one year would be for discussion between us. The pressures on aggregate Exchequer grant are already very tight for the foreseeable future, and I see little prospect of my being able to agree that you should go as high as  $\frac{1}{2}$  per cent for the next few years.

I am uneasy about the proposal to take a power to raise the limit to 1 per cent by regulations in case it is needed for the TVEI. I appreciate that Norman Tebbit suggested earlier in the year that if, after the 5 year pilot stage, the TVEI were transferred from his programme to yours, your new powers would provide an appropriate means of financing it. This thought was not discussed further at the time (though Leon Brittan pointed out that it would be difficult to accommodate TVEI expenditure within the proposed statutory ceiling). But it seems to me on reflection that a 'pump priming' grant to provide temporary support for new activities is not an appropriate way of supporting a programme which, by the time of its transfer, would be an established part of the education service. I would in any event be reluctant to provide now for a possible eventual doubling of the proportion of education expenditure met from specific grant, in view both of the other claims on the aggregate of Exchequer grant and of the danger that a future administration would put such a power to uses we would not welcome.



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The objections to a higher rate of grant were clearly set out in earlier letters from my predecessor and from Tom King and I do not see the local authority associations' preference as a sufficient reason for setting them aside. After all, the main burden of the associations' comments is that they would much rather do without a new specific grant at all.

Copies of this letter go to the recipients of yours.

*Yours truly  
Peter Rees*

PETER REES

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CABINET OFFICE,  
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

15 July 1983

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15/7

*Dear Imogen*

EDUCATION SUPPORT GRANTS

The Chancellor of the Duchy of Lancaster has seen your Secretary of State's letter of 13 July to the Lord President and is in agreement with what he proposes.

Lord Cockfield has commented that, if primary legislation is needed to increase the limits, it would be a mistake to set them too low - provided always that the limit is not allowed to degenerate into an entitlement.

I am copying this letter to the Private Secretaries to the Prime Minister and other members of H Committee and to Richard Hatfield.

*yours*

*Sebastian Birch*

SEBASTIAN BIRCH

Mrs Imogen Wilde  
Private Secretary to  
The Secretary of State for  
Education and Science  
Department of Education and Science  
Elizabeth House  
York Road  
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Education Policy PR3



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