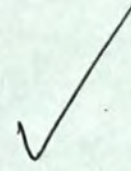


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PUBLIC EXPENDITURE SURVEY 1986: EDUCATION

Note of a meeting held in the Chief Secretary's Room
H M Treasury at 10.30am on Thursday, 25 September 1986

Present:

H M Treasury

Chief Secretary
Mr F E R Butler
Mr Gilmore
Mr Turnbull
Mr Burr
Mr Hoare
Mr Kaufmann
Mr Kelly
Mr Perfect
Miss Rutter

DES

Secretary of State for
Education and Science
Mrs Rumbold, Minister of State
Mr Walden, Parliamentary Under
Secretary of State
Sir David Hancock
Mr Stuart
Mr Saville

The Chief Secretary and the Secretary of State agreed to defer discussion of the bids for universities (apart from pay restructuring) and science.

University Pay Restructuring

2 The Chief Secretary said that he was prepared to reach agreement on university pay restructuring on the basis agreed in exchanges at official level. But the Reserve was under great pressure next year, and it would have to be clearly understood the amounts in the bid- £40 million, £56 million, £71 million - were maxima. The Secretary of State said he accepted those limits and he would start negotiations once his other bids for the universities had been decided. What he could negotiate would depend on the overall increase for the universities.

Maintained sector capital

3 The Secretary of State said that the reduction in the

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allocation total to £234 million implied by the baseline was unacceptable, and would be politically damaging. The condition of much of the school stock was deteriorating. Rationalisation of schools in response to falling rolls itself required investment, and there was a need for investment in polytechnics to accommodate increased student numbers. There were equipment shortages in both the secondary and higher education sectors. The £50 million a year available for voluntary schools capital was also inadequate. These deficiencies pointed to the need for capital expenditure on education in 1987-88 above the existing level of some £500 million a year.

4 The Chief Secretary said that he faced intense pressures in the Survey; and there were significant additional bids for LA capital on all services. The Secretary of State's bid for an additional £150 million for education would permit gross expenditure in 1987-88, assuming the same (£200 million) expenditure above allocations as was likely this year, of £645 million. That would represent an almost 30 per cent increase on likely outturn in 1986-87, and might be even higher if, as there were strong arguments for supposing, use of capital receipts by LEAs was higher next year than this. He could not entertain a bid on that scale, especially against the background of the generous settlement on education current expenditure in 1987-88. The most which he was prepared to offer was the £57 million additional provision necessary to deliver the same level of allocations as in 1986-87.

5 The Secretary of State said that he could not agree to settle on that basis. He believed that LEA's use of capital receipts on education was unlikely to be as high next year as this. Extra pressure would also be placed on their programmes by prescribing leasing, of which some made extensive use. Some increase next year on 1986-87 allocations was in his view therefore essential merely to maintain existing levels of spending. The mismatch between authorities' needs and their available capital receipts also meant that an allocation total next year at the same level as this would result in some shire counties being unable to meet even their contractual commitments and statutory requirements. He was however prepared to reduce his bid, although he could

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not go so far as the Chief Secretary.

6 The Chief Secretary said that he recognised that shire LEAs had fewer available capital receipts than those which were also housing authorities. His proposals for distributing the overall allocation total between services had taken this into account. Assuming that the shire counties taken together received the same broad share of the allocation total as this year, his offer implied that they would have total spending power in 1987-88 of some £440 million compared to DES' estimate of £240 million of contractual commitments and statutory requirements on schools. Problems for particular LEAs ought to be capable of being resolved within the allocation methodology. He could not therefore agree to increase his offer, although he was content for officials to look further at the likely outturn on the basis of that offer.

Other bids

7 The Secretary of State briefly presented the case for each of his remaining bids:

-Continuing education - PICKUP - provided good value for money because the full costs were recovered from employers. DES spending was of a pump-priming nature, and additional funds were needed to permit a major expansion of provision. The Chief Secretary said he recognised the value but the bid was too ambitious. The Secretary of State said that he could accept a smaller increase than the fivefold increase implied by his bid.

- Some of the European Community bids arose from inescapable commitments. The DES budget could not absorb the cost of what was effectively a foreign policy priority. The Chief Secretary said that he had only agreed to COMETT on the condition that it would be absorbed. It was agreed that ERASMUS was not a high educational priority, and both the French and the Germans had reservations, though for Presidency reasons there might be pressure to make something of it at the European Council.

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- The bid on **Student awards** was intended to maintain the level of grant in line with general inflation while the review of student support was in progress. The Chief Secretary commented that the principle of index-linking was not agreed; the UK was by international standards very generous in its support for students. He was not minded to concede the bid. The Secretary of State thought could reduce the bid by £8 million, £15 million and £18 million respectively. His aim was to defuse student awards as a political issue during the review.

- **Cranfield** had already achieved a high degree of self support and the bid represented an opportunity to achieve full independence of public funding, in line with the Griffiths/Murray report. The Chief Secretary said that in view of all Mr Baker's other bids - which totalled around 10 per cent of his programme - he had no scope for conceding the Cranfield bid.

- Additional provision for the **assisted places scheme** was inescapable. Although he had a reserve power to reduce the level of fee increases, its use would result in schools' withdrawing from the scheme.

- The Secretary of State said that he attached high priority to both his **running costs** and **manpower bids**. The Chief Secretary said that he was prepared, in the light of the joint assessment of the 1986-87 bid undertaken by officials, to concede an additional £0.8 million this year, allowing scope for up to 30 additional staff. The Secretary of State said that he could not agree to settle on that basis. The offer was insufficient to meet even the overspend on his running costs limit which was already inevitable. He undertook, however, to consider the issues further.

Conclusions

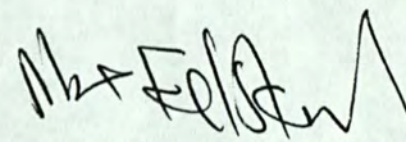
8 The Chief Secretary said that there were a considerable number of bids on the programme, some of which were very

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Substantial, and to all of which Mr Baker evidently attached importance. Other colleagues were deciding priorities and paring down those bids which they wished to maintain. Extra money had already been provided to Education during the year for GCSE. The bid for city technological colleges had been conceded, and a major concession made on university pay restructuring. Bids on the scale of those remaining could not be entertained. Officials would however examine the implications of an extra £57 million in provision for maintained sector capital.

9 The Secretary of State said he would look again at his bids and write to the Chief Secretary with what he regarded as reasonable and defensible.

MP 
JILL RUTTER
Private Secretary

H M Treasury
30 September 1986

Distribution

Those present
Principal Private Secretary
Sir Peter Middleton
Mr Anson
Mr Scholar
Mr Gray
Mr Cropper
Mr Tyrie

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