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Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
London SW1P 3AG

22 December 1987

John Major

N. B. M.

EDUCATION REFORM BILL: ADDITIONAL ITEMS

Thank you for your letter of 4 December ^{at flip} in response to mine of 20 November. I have also seen Nick Ridley's letter of 2 December.

I am pleased to note that you are generally content with my proposals. You raised two points on my proposals for a specific grant for the education of travellers' children and refugees; on the proposed grant rate of 75%, and on the question of cash-limiting. Nick Ridley also suggested that a lower grant rate would be sufficient.

In my view a high rate of grant will be needed in this case because of the unpopularity of travellers locally. Authorities need a good incentive to make provision for them. This is reflected in the grants paid by Nicholas' Department for caravan sites for gypsies where the rate is 100%. At present local education authorities are able to claim 100% of the costs of travellers' education from the no area pool and yet there is still great reluctance in many areas to provide for travellers' children. Provision would be put at risk if the grant rate dropped to 50%. I therefore think that a rate of 75% is the minimum necessary. However we do not need to reach a final decision on the grant rate now. If you are content, I would propose to leave the grant rate to be fixed in regulations. The legislation would thus offer flexibility both about the initial rate of grant and subsequently about changes in the rate if evidence emerged that a different rate would be needed to ensure adequate provision.

On the question of cash limiting, I agree that the arrangements should not be open-ended. I envisage fixing in advance each year the total of expenditure to be supported, based on a calculation of expected need, and inviting authorities to bid along the same lines as I now operate the programme of education support grants. The grant would therefore be cash-limited.

I hope that you and colleagues will be content for my Department to proceed to drafting instructions to Parliamentary Counsel on this basis.

I am copying this letter ^{to} the Prime Minister and to other members of E(EP).

James ...
...

EDUCATION: Policy pt 6



Treasury Chambers, Parliament Street, SW1P 3AG

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

NBM

Dear Ken,

4th December 1987

EDUCATION REFORM BILL: ADDITIONAL ITEMS

Thank you for your letter of ^{17th} 20 November.

I am generally content with your proposals on the basis that their expenditure implications are minimal and will be contained within existing and planned provision. The increase in mandatory student award grant will therefore need to be offset by a matching reduction in Aggregate Exchequer Grant, as the working group recognised. And any payment of education grant to non-local authority bodies will presumably require a similar transfer from AEG.

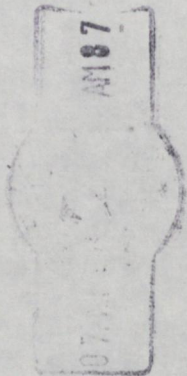
On the rate of the new grant for travellers' children and refugees, however, I find it difficult to reconcile the specific grant working group's recommendation that continuing grants be set at the lowest rate securing the necessary influence, with the tentative proposal in the report that this new grant might be set at 75 per cent. It seems to me that a 50 per cent support rate should prove sufficient incentive for LAs, who, after all, have a statutory obligation to provide an efficient education service. Before I agree to this aspect of your proposals, I should be grateful if you would consider this point further, as well as the question of cash limiting, also recommended by the working group.

I am copying this letter to the Prime Minister and to other members of E(EP).

Yours Ever,
John

JOHN MAJOR

EDUCATION : Policy PTT16



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Your ref:

The Rt Hon Kenneth Baker MP
Department of Education and Science
Elizabeth House
York Road
LONDON
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2 December 1987

Dear Kenneth *NBR*

WILL REQUEST IF REQD

I have seen a copy of your letter of 20 November to John Major in which you seek colleagues' agreement to five amendments to be included in the Education Reform Bill.

My main interest is in the two minor changes in specific grants. These changes will result in helpful simplifications in the new local government finance system.

I note however that you propose the grant rate for travellers' children and refugees should be set at 75%. Although the Official Review of Specific Grants recommended the grant be "possibly paid at 75%", the Review also concluded that the rate of continuing grants should not normally be above 50% and proposals for higher rates should be subject to rigorous and critical examination. I should have thought a 50% rate would be enough in this case.

Apart from this point of detail, I support your proposal to include suitable amendments for introduction during the passage of the Education Reform Bill.

I understand that you do not propose to implement the changes until 1990 and that is what I would wish to see. If you change your view, I would be grateful if you could come back to me because of the interaction of your proposals with the rate support grant system.

I am copying this letter to the Prime Minister and to other members of E(EP).

Tans

N Ridley

NICHOLAS RIDLEY



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abc



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From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CT/3622/87

30 November 1987

RESTRICTED

NSM

EDUCATION REFORM BILL: ADDITIONAL ITEMS

WILL REQUEST IF REQUIRED

I have seen Kenneth Baker's letter to you of 20 November 1987..

My interest is mainly concerned with the grants aspects - Regulations under Section 100 of the Education Act 1944 are made jointly by the Secretary of State for Education and Science and the Secretary of State for Wales - and the voluntary school proposals. On the former, Kenneth's proposal is clearly necessary and I would want to have a similar power in Wales where I might need to grant-aid something of the order of £50,000 of expenditure annually. On the latter, I am content, but I have asked officials here to ensure that the proposals relating to redundant property and endowments will not produce any hidden sensitivities.

Copies of this go to the Prime Minister and to other members of E(EP).

The Rt Hon John Major MP
Chief Secretary



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RESTRICTED

Rt Hon John Major MP
Chief Secretary
HMI Treasury
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20 November 1987

John Major

EDUCATION REFORM BILL: ADDITIONAL ITEMS

1. As you know, we propose that subject to the outcome of consultations we should during Committee Stage of the Bill introduce amendments relating to charging in schools and to bogus degrees. There are in addition some rather smaller, and largely non-controversial, items which I should like to introduce similarly by way of Government amendment at an appropriate stage. These are set out below.

Grants

2. Section 100 of the 1944 Education Act enables the holder of my office to make provision by regulations under which he may pay grant to bodies, other than local education authorities, in respect of expenditure incurred or to be incurred for the purposes of educational services provided by them or on their behalf or under their management, or for the purposes of educational research. This wording means that the recipients of grant have to be directly involved in providing educational services, and the expenditure must be incurred for the purposes of those services; I therefore face the difficulty that I have no power to fund bodies which, while not directly involved in providing educational services, could nonetheless be of great assistance to us in carrying our policies forward. The power in Section 100 does not extend, for example, to paying grant to the proposed Trust which would offer advice to those setting up Grant Maintained Schools. I propose that the grant-giving power in Section 100 should be widened to enable grants to be paid to bodies other than local education authorities for any purposes, related to the provision of educational services, approved by the holder of my office. This would bring my powers into line with those already possessed by the Secretary of State for Scotland under Section 73 of the Education (Scotland) Act 1980.

3. There are in addition two minor changes to specific grants to local education authorities which I would like to legislate for in the Bill. Both are changes which were considered by the Inter-Departmental Working Group on specific grants to local authorities and recommended in the Group's report which we discussed in E(LF) earlier this year.

4. The first change concerns the arrangements for financing education for travellers' children and refugees. At present funding is provided through a pooling arrangement which allows authorities to share the cost of educating pupils and students not belonging to any particular authority - so-called no-area pupils. However, education pooling does not promote accountability for the expenditure involved and cannot readily be accommodated within the new system of local government finance in the Rates Reform Bill.

5. In the new system the cost of educating about three-quarters of all no-area pupils can be adequately provided for by including them in the needs assessment for revenue support grant; no special arrangements are needed to replace pooling for these pupils. But this is not true of the estimated 20-30,000 travellers' children and refugees. Unless authorities are given an incentive they are unlikely to make the effort to cater for travellers' children and to ensure that they attend school. The simplified needs assessment is unlikely to be responsive to the short-term and localised demands that refugees impose, and I intend that special arrangements should also extend to them.

6. I therefore propose a new specific grant at the 75% rate recommended in the Report of the Official Working Group. I cannot yet be certain of the exact scale of provision, but I estimate that it will be necessary to grant-aid expenditure of about £7m at 1987-88 prices to ensure that provision now made with the help of pooling is maintained.

7. The second proposed change is also related to the reform of the local government finance system. Local education authorities are responsible for administering the system of mandatory student awards. They are reimbursed for 90% of the cost by my Department, and the remaining 10% of the cost (£75m in 1987-88) is taken into account fully in the education GRE.

8. Authorities administer the mandatory awards scheme under detailed regulations which give very little scope for discretion and in effect they act as agents for me. The Inter-Departmental Working Group recommended that the grant rate should be increased to 100%. The additional grant would be deducted from Aggregate Exchequer Grant, to maintain the balance between taxpayer and ratepayer. It will remove the need to take account of LEAs' share of mandatory awards expenditure in equalising needs, and so contribute to the simplification of the education GRE which is one of our agreed objectives for the new LGF system.

Voluntary School Provisions

9. There are four technical amendments which would simplify the operation of existing legislation in relation to voluntary schools. They have the particular advantage, in presentational terms, that they are likely to be

welcomed by the Churches and may form a small but helpful bargaining counter. The proposals are -

- (i) A new power to enable grants to be paid on fees incurred by the promoters of statutory proposals made under Section 13 of the 1980 Act and by governors requesting transfer orders under Section 16 or the 1944 Act. This power is necessary if we are to implement an agreement reached with the Churches to introduce a two-stage procedure for grant-aiding major capital projects at aided schools. The objective is to improve the accuracy - at present often woeful - of projections of cost by providing grant on consultancy fees at the formative stage of a proposal.
- (ii) Amendment to Section 2 of the Education Act 1953 to enable LEAs to meet the cost of establishing new controlled primary or secondary schools provided that a substantial proportion of the children would otherwise have attended some other voluntary school. This provision is currently and anomalously available in respect of controlled middle schools, but for primary or secondary schools the LEA may contribute towards the cost of a new controlled school only if it is required to meet demand from pupils from voluntary schools alone. The current arrangements effectively prevent the establishment of controlled primary or secondary schools in replacement for a county school and a voluntary school or a mix of such schools.
- (iii) Abolition of the anomalous requirement for the Secretary of State's approval before the proceeds of sale of redundant property can be re-applied under the terms of trusts made under the (repealed) Section 86 of the 1944 Act.
- (iv) Section 2 of the Education Act 1973 empowers the Secretary of State to make new provision "as to the use of any endowment shown ... to be or have been held ... in connection with the provision at [a closed voluntary] school of religious education in accordance with the tenets of a particular religious denomination ..." There are long-standing difficulties over the interpretation of this provision. I would propose to agree with the Charity Commissioners a formulation which would clarify the position.

Further Education Unit Pension Scheme

10. The present pension arrangements for the staff of the Further Education Unit (FEU) cannot work well because the FEU is too small a body to manage and budget satisfactorily for unpredictable but relatively large cash flows as staff transfer into and out of the Unit's own scheme. The vagaries have to be underwritten by grant in aid. It is therefore desirable to include staff employed by the FEU within the Principal Civil Service Pension Scheme (PCSPS) as soon as possible. For technical reasons, the necessary amendment to Schedule 1 of the Superannuation Act 1972 can be effected only under primary legislation. The Bill will in any case be making provision for the staff of bodies such as the NCC and SEAC to come within the PCSPS, and the amendment required to admit the FEU also would be minimal. Your officials have been consulted and have raised no objection to what is proposed.

CONCLUSION

11. I seek colleagues' agreement to the preparation of suitable amendments, for introduction during the passage of the Education Reform Bill, in relation to -

- (i) an extension of the grant-giving power in Section 100 of the Education Act 1944;
- (ii) a new specific grant for travellers' children and refugees;
- (iii) an increase in the grant rate for mandatory awards to 100% with effect from 1 April 1990;
- (iv) the four technical amendments to the voluntary school provisions set out above;
- (v) the inclusion of the FEU within the Principal Civil Service Pension Scheme.

12. I am copying this letter to the Prime Minister and to other members of E(EP).

