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NOTE OF A MEETING ON EDUCATION EXPENDITURE HELD AT THE HOUSE  
OF COMMONS AT 1930 ON MONDAY 9 JULY

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Present: Prime Minister  
Secretary of State for Education  
Minister of State for Education (Lady Young)  
Mr. M. A. Pattison

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Mr. Carlisle explained that his major concern was the scale of reduction in services and the number of redundancies implied by the expenditure cutting options. Although the school population was now beginning to decline, the last part of the bulge was working through to the most expensive areas of education. The Prime Minister commented that the cuts were against planned, not existing, levels of expenditure. She did not accept that standards could only be raised by greater spending. She drew attention to the growth in real terms since her last year at DES of the cost of educating, for example, the under-fives. There were now far fewer primary pupils. Mr. Carlisle agreed that the cost per pupil at this level had increased in real terms from £270 in 1973/74 to £334 now, but at secondary levels the increase was minimal and there had been a decline at the over-sixteen level, in the polytechnics, and in the universities. The Prime Minister observed that the centralisation of primary education was expensive. Three small village schools were much cheaper than one new one. There were savings in maintenance, transport, meals when pupils could return home, and in some cases in heating costs.

Lady Young stressed that the Education Ministers had no wish to backtrack on the public expenditure elements of the Conservatives' election winning platform. But there was a problem of timing. Savings in local government, through the Rate Support Grant, inevitably led to cuts in education. In areas where central Government hoped to make savings, legislation would be required. Mr. Carlisle quoted the example of school meals, where there were enormous variations in the cost of a service for which charges were set on a national scale. The local education authorities

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wished to remove existing legislation and put the responsibility back on them. The Prime Minister agreed that this kind of local flexibility was needed. There had been suggestions earlier of budgets for individual schools, with local flexibility. Mr. Carlisle added that his review of controls had shown that many could be dispensed with. A simple example was school buses, where vacant seats should be available for public use at a charge. Legislation would be necessary on school meals, school transport, and school closures. County Councils were asking for the right to charge for nursery education. The County Councils were also seeking legislation to allow them to set their own school hours and to give them some control over the leaving age. He agreed with the Prime Minister that these were both difficult proposals, although there could be some national legislation to cover e.g. early leaving for recognised apprenticeship.

In the longer term, Mr. Carlisle was confident that at least £50 m. and possibly £100 m. could be raised from overseas students, who could be asked to pay the full fees with support from overseas aid applied selectively.

The Prime Minister complained of the present total inability to replace bad teachers by good. Mr. Carlisle said that current expenditure reduction proposals would require 70,000 teacher redundancies next year. The DES paper had proposed 90,000 over four years, allied with other developments such as charging for 16 year olds. The Prime Minister commented that this was a ludicrous proposal which should never have been set in writing.

Mr. Carlisle agreed, but recalled that Mr. Nigel Lawson had advocated this in Opposition. The level of staff cuts required to meet the proposed reductions in expenditure were based on advice from local authority leaders, mainly Conservatives. Their advice was consistent. At headquarters level, DES have already undergone major cuts, so that its staff was below 2,600 before the Arts were removed. An increase in the Inspectorate was now necessary to improve standards.

/ Mr. Carlisle

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Mr. Carlisle agreed that the local authorities had taken the easy way out in respect of teachers, and had made previous savings on capitation, building and other forms of expenditure because they had been unwilling to tackle the National Union of Teachers. The paper put to him by local authorities said that a total of 150,000 teachers and other staff would have to be shed from the system, and these proposals made no provision for the redundancy payment costs. Teacher wastage was now about 20,000 per annum, and the output from teacher training had been reduced from 60,000 in the Prime Minister's time at DES to 20,000 per annum now. Since 1972/73, teacher numbers had increased by 60,000, but 33,000 of these were necessary to retain the 1972/73 pupil/teacher ratio. Lady Young agreed that the problem of poor teachers was one of the keys to the problem of spending, but again time would be required.

Mr. Carlisle reiterated that the local authorities had total freedom on how to apply Rate Support Grant cuts. The Prime Minister commented that many schools now seemed to have excessively expensive equipment, but could no longer afford books. Lady Young re-emphasised that much could be achieved over time, but that any rush to achieve huge cuts in 1980/81 would lead to some very awkward decisions. The result could be a situation in which the Government was unable to maintain its longer term cost reduction strategy in education. The Ministers and the Department were working flat out to develop a proper strategy, but this should not be jeopardised by unnecessary speed at the outset. The Prime Minister asked how fast progress could be made. Mr. Carlisle said that some of the legislative requirements could be included in the local government's Miscellaneous Provisions Bill. Consultation with local authorities need not take long, as they were pressing for some of the legislation. To be effective in 1980/81, it would have to be passed this year. He could add three more clauses to the reduced version of the Education Bill he had inherited. There could be difficulties in the Legislation Committee, and the guillotine might be necessary. The aim must be to restore something to the Counties, to the Conservative supporters who had been hardest hit by Labour's education policy.

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/ Lady Young

Lady Young said that the ILEA pre-empted too much. The Prime Minister said she favoured getting management of schools back to smaller authorities. She had no good word for Local Education Authorities, most of which had caved in when they should have stood firm against the excesses of the previous Government's policies.

Lady Young drew attention to possible savings at polytechnics now being identified by Dr. Boyson. In the university sector, there had recently been severe financing problems, and further serious cuts might only be achieved by contemplating some closures.

Mr. Carlisle asked whether it would be helpful if he were to put in a paper for the forthcoming Cabinet discussion showing what he considered to be realistic 1980/81 cuts. The Chief Secretary's paper contained no explanatory section on education, unlike other programmes. The Prime Minister agreed that he should do this, acknowledging that there was an important point to be considered over the effect on education of Rate Support Grant cuts. The paper should show greater cuts in succeeding years if there was to be a more limited reduction in 1980/81. Overall, she was angered by the phenomenal sums being spent per child yet producing poor education.

10 July 1979

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Education

10 DOWNING STREET

*From the Private Secretary*

10 July 1979

Your Secretary of State and Lady Young met the Prime Minister last night to discuss proposed cuts in educational expenditure. Mr. Carlisle explained that whilst significant and worthwhile savings could be achieved, there were serious dangers in rushing for heavy cuts in 1980-81, and risking a reaction that might prevent the achievement of a more balanced programme in later years. He also drew attention to the particular difficulties for the education programme, given that central government had little direct control over the allocation by local authorities of Rate Support Grant funds: it was likely that local authorities would choose to make significant cuts in their contribution to education, thus putting educational standards at risk through cuts from both local and central government expenditure.

Mr. Carlisle asked whether it would be helpful if he circulated for Thursday's Cabinet discussion a paper which already existed in draft in the Department. The Prime Minister said that she was prepared to agree to this, in view of the valid case that education might suffer double cuts. She noted that the Secretary of State did not dissent from the overall strategy of reducing public expenditure, but wished to develop this over a longer period. She suggested that, if his paper were to propose what he considered to be a realistic level of public expenditure reduction for 1980-81, it should show a more rapid progression in the cuts in later years.

I am sending copies of this letter to Alistair Pirie (Chief Secretary's Office) and to Martin Vile (Cabinet Office).

M. A. PATTISON

Philip Hunter, Esq.,  
Department of Education and Science.

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PRIME MINISTER

Your meeting with Mr. Carlisle on education has now been rescheduled for Monday. This folder contains the papers you had for the meeting with Mr. Biffen:

- Flag A: Mr. Carlisle's minute requesting the meeting; ✓
- Flag B: Mr. Carlisle's letter to the Chief Secretary on educational spending; ✓
- Flag C: Note from Sir Kenneth Berrill on the subject; ✓
- Also: Flag D: My note of your talk with Mr. Biffen. ✓

We have also included loose in the folder last year's Treasury Red Book in the version you wanted. (This actually is a "previous Administration" paper).

As I noted for the earlier meeting, Mr. Carlisle's correspondence with Mr. Biffen, and Sir Kenneth Berrill's note, are both based on the expectation that decisions are now to be taken for several years ahead. In fact, the Treasury now hope to secure final agreement only on the 1980/81 figures at Cabinet next week, and to postpone the final decisions on later years until the autumn,

*MA*

*Tim will also be putting next week's cabinet papers on public expenditure in the box.*

6 July 1979

PRIME MINISTER

You asked to see the PESC Report prepared by officials last year so that you could see the option cuts put forward for the Education Budget then. I attach the report, and the option cuts are at Flag A.

In fact, all of the options in last year's report are covered in Mr. Carlisle's letter to the Chief Secretary, which you have seen. (This is with the one exception of libraries, where last year's report suggested imposing charges for borrowing - this would mean a saving of £10 million per year.) Mr. Carlisle's options are much tougher both in quantity and coverage. This follows from the fact that last year the Labour Government were looking for cuts of 2½% in each year of the Survey period, while this year we are looking for 7½% in 1980-81 rising to 18.1% in 1983-84.

TL.

\* Report removed and replaced  
 on Econ Pol: Public Expenditure June 78.  
 Pt 22 JC.

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5 July 1979