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WGSE(80)25 (REVISE)

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WORKING GROUP ON SCHOOLS EXPENDITURE

SUMMARY REPORT

1. The Working Group, of officials from HM Treasury and the Department of Education and Science, was established "to consider first, whether the resources allowed for current expenditure on primary and secondary schools in England in Cmnd. 7841 are appropriate for the purposes of maintaining up to 1983-84 the standards of provision in 1978-79, and secondly how far the quality of education is likely to be affected by the standard of provision". This report covers the first part of these terms of reference; it is a summary of the main report. (WGSE(80)24 attached).

Cmnd. 7841 plans

2. Current expenditure on schools is planned in Cmnd. 7841 to fall by 6½% between 1978/79 and 1983/84, against a fall in pupil numbers of 13%. The table shows the figures (in Part A). The initial basis of these plans was stabilised 1978/79 costs per pupil, plus a general margin of expenditure for the acknowledged diseconomies associated with falling pupil numbers and for salary drift. The original figures were later increased slightly by the Secretary of State for Education and Science from within his total agreed programme.

Standards of provision

3. The Government's commitment in the Queen's Speech was that "the quality of education will be maintained and improved". The Department of Education and Science prepares its Public Expenditure Survey plans for schools expenditure by reference to standards of provision, like pupil/teacher ratios, rather than to unit costs. The Group has accordingly examined the basis of the Department's calculations.

4. The effect of these calculations is to suggest a need for higher expenditure on schools than is provided for in Cmnd. 7841 in order to meet the Government's commitment on education. Part B. of the table annexed lists the standards of provision applied, including specific margins in

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recognition of various diseconomies, and shows the costs attributed to each. The Department considers that this cannot be done within the education programme as it exists and has entered an additional bid accordingly in the 1980 Survey (Part C. of the table).

Comment

5. The allocation of resources to schools expenditure requires a judgment to be made, ultimately by Ministers, of the right balance between the Government's educational, economic and other commitments. The quality of education is difficult to measure and itself requires judgments to be made of the proper level of resources necessary to maintain it.

6. The table shows in Part B. the elements of judgment as well as fact within the Department's calculations. Standards of provision, measured as shown in the footnotes to the table, are adopted by the Department as a surrogate for the "quality of education", for purposes of resource planning. Schools expenditure in 1978/79 itself incorporated allowances for these judgmental elements and the allowances for later years are shown as additions to 1978/79.

7. The Group has examined in detail the background to each of these elements, focusing on those which represent additions to base-line costs. These are:

a. transitional diseconomies (table line 6a) which provide a one-year lag before teacher numbers are assumed to fall in line with reduced pupils. The Group considers that some recognition of the problems of reducing teacher complements is required but that the basis of the present allowance, a time-lag of one year, while an assumption which may stand up for present purposes, requires critical examination by means of an enquiry of the local education authorities to establish empirical data and more technical work;

b. structural diseconomies (table line 6b) which provide a margin of extra teachers in each school (an average of one teacher per primary school, two in each secondary) to protect the curriculum as falling pupil numbers cause schools to become on average smaller. The Group will consider questions of size of school and range of provision in its second report;

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c. salary drift (table, line 7) which provides for the extra cost in real terms as teachers progress up salary scales with fewer entrants at the bottom. The Group accepts the Department's analysis of this, but has noted that there is an element of judgment in the impact which experience, with which increments are associated, may have on performance;

d. sophistication factor (table, line 9a) which provides a 2% per annum increase in expenditure on books and equipment in recognition of the increasing complexity and relative price of these items. The Group acknowledges these effects, but the allowance to be made for them is a matter of judgment. While a factor of this kind strictly represents an improvement, it is one which is virtually unavoidable;

e. adjustment factor to restore pre-1978/79 non-teaching cost standards (table, line 9b) which enables local authorities to restore expenditure they deferred from 1976/77 and 1977/78 in order to make savings in those years. The Group agrees that this is an improvement in provision over 1978/79 to which the Government is not specifically committed. Any serious deficiency in, for example, school books or repairs and maintenance reflects local authorities' decisions on priorities.

8. The additional bid, shown in Part C. of the table, is to cover the difference between the overall result of the Department's calculations and judgments, described above, and the present survey provision determined on the more general basis described in paragraph 2.

Conclusions

9. The Department is concerned with individual policies for separate aspects of education, and needs to relate expenditure provision to these policies. Unit costs alone are too aggregated for this purpose, because they cannot be related specifically to individual policies. They nevertheless provide a useful complementary analysis as a guard against incrementalism and they isolate increases or decreases to be explained. The Group agrees that good management will not necessarily be synonymous with constant unit costs.

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10. With the assistance of a technical group, the Working Group has examined the methods used by the Department in preparing Public Expenditure Survey plans for schools expenditure and has concluded that they are acceptable.

11. The Group's conclusions on the main elements of judgment within the Department's calculations are set out in paragraph 6 above. The Group agrees that the concepts behind the first four of those margins are legitimate in the sense required by its terms of reference; but that the fifth (the adjustment factor) represents an improvement over the 1978/79 baseline.

12. The Group's examination suggests that it is not possible to justify objectively a level of resources which is uniquely appropriate to maintaining a particular standard of provision. There are a number of judgments as well as purely arithmetical calculations involved in quantifying the various margins. These are:

- a. The length of the time lag in matching teachers to pupils as school rolls fall;
- b. The allowance for additional staffing in smaller schools;
- c. The amount of the sophistication factor in non-teaching costs.

In the case of salary drift the calculation is dependent on assumptions about recruitment, wastage, retirement and promotion posts but the result is not particularly sensitive to the assumptions made.

13. The judgments incorporated in the Department's calculations are those which have been adopted for expenditure plans in recent years in consultation with the local authorities and in the light of experience. However, the measurement of standards cannot be precise and other judgments are possible. It can also be argued that the maintenance of "standards of provision" does not necessarily require each individual component to be at least maintained: and that some of the margins actually purchase improvements even if these are difficult to avoid.

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14. This report is concerned only with the maintenance of "standards of provision". The relationship of this to the Government's commitment on the "quality of education" will be examined separately.

Department of Education and Science

HM Treasury

June 1980

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England, current expenditure in 1980 Survey prices
 outturn change over 1978-79 in 1983-84
 1978-79 1980-81 1981-82 1983-83 1983-84 over 1978-79

Cmdnd 7841 plans revalued

pupil numbers	'000s	8049	-340	-569	-814	-1041	-13%
expenditure at constant 1978-79 unit cost	£m	3973	-140	-243	-353	-459	-11½%
general margin for diseconomies	£m		+150	+192	+233	+205	
total expenditure	£m	3973	+10	-51	-119	-254	-6½%

DES calculation based on standards of provision (notes on individual lines are overleaf)

teaching cost directly prop- ortional to pupil numbers at implied 1978-79 pupil:teacher ratios	£m	2690	-85	-140	-215	-290	-11%
cost of teachers for:							
a transitional diseconomies	£m	30	+20	+35	+45	+40	
b structural diseconomies	£m	5	+5	+10	+15	+15	
c in-service training	£m	30	+2	+2	+2	+2	
cost of teacher salary drift drift	£m		+40	+55	+80	+100	
non-teaching costs:							
a pupil-related (incl books equipment)	£m	295	-5	-10	-20	-25	-8½%
b school-related (eg caretaking)	£m	105	-1	-3	-5	-5	-9%
c school place-related (eg heating)	£m	800	-	-10	-35	-40	-5%
increase over 1978-79 level for:							
a sophistication factor (books, equipment)	£m		+10	+10	+15	+20	
b restoration of pre- 1978-79 standards	£m		+25	+25	+25	+25	
other items	£m	15	+5	+5	+10	+5	
total provision required on DES calculation	£m	3973	+10	-20	-80	-150	-4%

1980 Survey: DES additional bid to equate A (line 4) with B (line 11)

teaching costs	£m		+30	+40	+55
non-teaching costs	£m				+50

General Note : (notes on individual lines of table are overleaf)

all figures are the sum of separate primary and secondary calculations; the difference between the percentage changes in lines 1 and 2 arises from the changing mix of primary and secondary pupils; all figures relate to financial (rather than academic) years; all figures in Part B. are rounded individually.

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- line 5 calculated from pupil numbers x pupil/teacher ratios in 1978/79 (excluding teachers in section 7 of the table) x average 1978/79 teachers salary (primary and secondary separately). Pupil/teacher ratios used are related to pupil ages. **Supply and unqualified teachers are included;**
- line 6a calculated by applying pupil/teacher ratios to pupil numbers in the preceding rather than current year, ie. assuming a time-lag of one year to re-deploy ~~teachers who are~~ surplus in their present posts;
- line 6b providing one teacher per primary school, two per secondary school, in addition to teachers in line 6 of the table, to ~~protect~~ the curriculum as schools become on average smaller;
- line 7 the change over time in the volume cost of average salary owing to incremental scales (here calculated in relation to 1978/79);
- line 8a calculated separately for primary and secondary pupil numbers, weighted for over-16s. Staff costs included ~~are~~ related to pupil numbers one year earlier to allow for transitional diseconomies (see note (b) above);
- line 8b the basic costs of running a school regardless of its size, calculated by reference to the forecast number of schools;
- line 8c calculated separately for permanent and temporary accommodation in primary and secondary schools, by reference to the assumed number of school places;
- line 9a an additional 2% per annum to provide for the growing complexity of textbooks, equipment and materials, and the curriculum itself;
- line 9b an additional 2% of 1978/79 non-teaching outturn expenditure to allow some improvement over the especially depressed level of provision in 1978/79, following expenditure reductions imposed in the two previous years;
- line 10 includes some items not shown separately: provision for teachers premature retirement; the implementation of the Health and Safety at Work Act, etc; and energy conservation savings.

WORKING GROUP ON SCHOOLS EXPENDITURE

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MAIN REPORT

INTRODUCTION

1. There are two key issues in planning schools expenditure: educational standards and the restricted availability of resources. Both are derived from commitments in the Queen's Speech: the first from the commitment that "the quality of education will be maintained and improved"; the second from the commitments to "give priority in economic policy to controlling inflation through the pursuit of firm monetary and fiscal policies", to "reducing the claims of the public sector on the nation's resources", and to "promote greater efficiency in local government".

2. Both issues are to an extent imponderable and planning schools expenditure requires a judgment to be made, ultimately by Ministers, as to where the balance lies. At the present time, that judgment must also take account of the resource implications of falling pupil numbers. In the final stage of the previous round of Ministerial discussions on possible public expenditure savings, the Secretary of State for Education and Science maintained that the scope for making further economies in primary and secondary education, without damaging standards, was more limited than certain other Ministers were inclined to accept.

3. The Working Group, of officials from HM Treasury and the Department of Education and Science, was established accordingly:

"To consider first, whether the resources allowed for current expenditure on primary and secondary schools in England in Cmd. 7841 are appropriate for the purposes of maintaining up to and including 1983/84 the standards of provision in 1978/79 and secondly, how far the quality of education is likely to be affected by the standard of provision".

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4. The Working Group has concentrated in preparing this report on the first of these terms of reference. It has considered:

- a. the standard of provision in the base year of 1978/79; and
- b. those elements in the Department's plans for schools expenditure which are matters of fact, and those which are matters of judgment requiring justification in terms of standards of provision.

This report also describes the preliminary thought which the Group has given to the second of its terms of reference.

THE CMND. 7841 PLANS

5. Pupil numbers in maintained primary and secondary sectors are projected to fall by 13% between 1978/79 and 1983/84. Those in primary schools started to fall in 1973/74, and the decline in secondary pupil numbers is now just commencing. The following table shows the projected number of pupils to 1983/84:

Table 1: pupil numbers

England thousands
(academic years)

	1978/79 (actual)	1980/81	1981/82	1982/83	1983/84	% change over 1978/79
primary (5+)	4139	3807	3635	3440	3315	- 20%
secondary	3872	3832	3766	3712	3621	- 6%
total	8011	7639	7401	7152	6936	- 13%

6. The plans in Cmnd. 7841 provided for current expenditure on schools to fall less steeply, by 6½%, in recognition of the diseconomies associated with falling pupil numbers, including salary drift. The figures, after revaluation of Cmnd. 7841 expenditure to 1980 Survey prices, are set out in Table 2.

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Table 2: Ordinary primary 5+ and secondary schools England, financial years
 Recurrent expenditure provision in PESC baseline £m. 1980 Survey prices.

	1978/79 (actual)	1980/81	1981/82	1982/83	1983/84	% change over	1983/84 1978/79
primary 5+	1679	1634	1584	1524	1455	-	13½
secondary	2294	2349	2338	2329	2264	-	1½
Total	3973	3983	3922	3853	3719	-	6½

7. These plans for current expenditure reflect Ministers' discussions in the 1979 Public Expenditure Survey. The expenditure figures resulting directly from those discussions were based on stabilised 1978/79 unit costs plus a general margin of expenditure in recognition of the diseconomies and salary drift. The Secretary of State for Education and Science subsequently allocated some further resources from within his programme to schools expenditure. The resulting trend in (revalued) unit costs as provided in Cmnd. 7841 is as follows:

Table 3: Cmnd. 7841 Unit Costs
 (Using financial year average England £ 1980 SP
 pupil numbers).

	1978/79 (outturn)	1980/81	1981/82	1982/83	1983/84	% change over	1983/84 1978/79
primary 5+	401	423	429	435	433	+	8%
secondary	593	611	617	624	620	+	4½%

8. The total margin of expenditure for the diseconomies and salary drift in Cmnd. 7841 (Table 2 above) is represented by the difference between the actual planned current expenditure and the expenditure derived by applying constant 1978/79 unit costs. This is shown below:

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Table 4: Cmnd. 7841 implied margin of expenditure for diseconomies of smaller scale and salary drift calculated with 1978/79 as base year.

(Using financial year average pupil numbers.)

England £ million 1980 SP

	1978/79 outturn	1980/81	1981/82	1982/83	1983/84
primary 5+	-	+ 83	+ 102	+ 118	+ 108
secondary	-	+ 67	+ 90	+ 116	+ 98
Total		+ 150	+ 192	+ 233	+ 205

THE DES ADDITIONAL BIDS

9. The Department of Education and Science prepares its plans for schools expenditure by reference to the educational policies which it considers necessary to maintain standards of provision. Teaching and non-teaching costs are calculated separately. Unit costs are regarded as a resultant. This approach informed the Secretary of State's reallocation of resources mentioned in para. 7 above. The allowance for teaching and non-teaching costs in the Cmnd. 7841 plans is, on this analysis, insufficient in the Department's view to maintain standards of provision and the Department has entered additional bids accordingly in the 1980 Survey (see 1980 Survey Report, chapter 19).

10. The Group has examined the way in which the Department estimates schools' expenditure needs. The next section of this report describes and comments on the Department's methodology, under the broad headings of teaching and non-teaching costs. The third section of the report compares the Department's approach with one that takes unit costs as its starting point. Table 5, below, sets out the expenditure provision in Cmnd. 7841 for teaching and non-teaching costs separately.

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Table 5: Ordinary primary 5+ and secondary schools England
 recurrent expenditure provision in PESC baseline £m 1980 Survey prices.

	1978/79 (outturn)	1980/81	1981/82	1982/83	1983/84	% change over 1978/79	1983/84
Teaching costs	2757	2743	2699	2657	2586	- 6.2	
Non-teaching costs	1216	1240	1223	1197	1133	- 6.8	
Total	3973	3983	3922	3853	3719	- 6.4	

Schools expenditure in 1978/79 itself represents the outcome of the way in which the Department estimates expenditure needs: the Group have therefore considered carefully the allowances that are reflected in the outturn, in order to establish as clearly as possible base standards to which the later year calculations are related.

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TEACHING COSTS

11 The starting-point for projection of teaching costs is observed pupil/teacher ratios* in a base year - for present purposes 1978-79. The secondary school pupil/teacher ratio is a compound ratio which reflects the relative demands made on teachers' time by different secondary age groups.⁺ These pupil/teacher ratios are adjusted in order to allow for the diseconomies resulting from falling school rolls. These diseconomies are of two kinds:

- a. transitional diseconomies, which arise from the practical limits to the rate at which teachers can be redeployed during a period of falling rolls: projected teacher numbers for each age-group are on this account related to pupil numbers in the preceding year; and
- b. structural diseconomies, arising from the need to protect the curriculum as falling rolls cause schools to become on average smaller: a formula, based on observed staffing patterns, is used which posits the employment of one teacher for each primary school and two for each secondary school additional to, and irrespective of, the number of pupils in the school.

Additions to the projection are then made in respect of teachers released for induction and in-service training, and for "supply" and unqualified teachers whose employment is deemed to be proportional to the total number of pupils. Finally the teacher numbers are multiplied by the base year average teacher salaries (primary and secondary separately) to give a teaching cost, and this cost is adjusted to take account of salary drift, the tendency for teachers' average salaries to change over time in real terms.

12 The teacher numbers provided by Cmd 7841 are shown in Table 6. They include some allowance for the diseconomies of falling rolls. If this allowance is calculated as a residual, after account is taken of the number of

* ie the ratios "within schools" which relate numbers of pupils to those of qualified teachers in schools at the time of the January census.

+ The weightings used to construct the compound secondary ratio reflect the actual disposition of staff within secondary schools.

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teachers required to maintain the baseline (1978/79) pupil/teacher ratio, of the projected numbers of pupils under 5, and of the planned provision for induction and in-service training, it amounts to the numbers shown in Table 6.

Table 6: Cmd. 7841: Teachers, Primary⁽¹⁾ and Secondary Schools
(England, academic years, FTE, '000)

In January	1978/79 (actual)	change over 1978/79 in:			
		1980/81	1981/82	1982/83	1983/84
Total in Cmd. 7841 comprising:	439.2	- 16.5	- 28.1	- 39.0	- 55.2
(a) to maintain 1978/79 pupil/ teacher ratios	417.6	- 16.2	- 28.4	- 40.1	- 53.7 ⁽²⁾
(b) seconded teachers	5.1	- 0.3	- 0.3	- 0.3	- 0.3
(c) other teachers ⁽³⁾	10.5	- 0.5	- 0.7	- 0.9	- 1.2
(d) implied allowance for diseconomies	6.0	+ 0.5	+ 1.3	+ 2.3	-

Notes:

- (1) including teachers of under fives in primary schools.
- (2) in 1983/84 the provision is actually 2,800 teachers short of what would be needed to maintain the 1978/79 pupil/teacher ratio.
- (3) ie. students, instructors and occasional teachers.

The Department's calculation

13. In assessing the schools' needs for teachers, the Department's methodology is related to the specific objective of maintaining, but not improving, the standards of provision in the schools: the calculation of the transitional and structural diseconomies has been devised with this objective in view. A calculation of the number of teachers required to offset these diseconomies indicates a need as follows (teachers, '000, f.t.e.):

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Table 7: (academic years)

	1979-80	1980-81	1981-82	1982-83	1983-84
<u>Primary:</u>					
Transitional diseconomies	1.7	2.5	3.4	3.6	1.2
Structural diseconomies	0.6	1.2	1.8	2.3	2.5
<u>Total:</u>	2.3	3.7	5.2	5.9	3.7
<u>Secondary:</u>					
Transitional diseconomies	0	1.7	3.5	3.3	5.2
Structural diseconomies	-0.1	-0.2	0	0	0.1
<u>Total:</u>	-0.1	1.5	3.5	3.3	5.3
<u>Total margin required:</u>	2.2	5.2	8.7	9.2	9.0

The difference between this calculation and the residual figures in Table 6 is the basis for the Department's bid in the Public Expenditure Survey for some 7,000 additional teachers in 1981-82 and 1982-83 and 12,000 in 1983-84 to maintain the standards of provision. The cost of the bid is:

Table 8: (financial years)

(£m., 1980 Survey prices)

	1981-82	1982-83	1983-84
Transitional diseconomies:	24	30	29
Structural diseconomies:	6	10	12
Table 6 footnote (2)	-	-	14
<u>Total:</u>	30	40	55

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14 One of the major questions which the Group has faced is whether the approach to the calculation for staffing diseconomies is soundly based. In this first stage of work, discussion has focussed on the transitional diseconomies. Structural diseconomies depend on the sizes and ^{hence} numbers of schools: variations in size may give rise to structural diseconomies in the short as well as the long term. Structural diseconomies also relate closely to questions about the range of provision in schools and will thus appropriately be discussed in the second phase of the Group's work together with alternative assumptions about school size (see paragraph 43.). The transitional diseconomies, as the two tables above show, form the larger part of the total: for primary schools their transitional nature is clearly shown as the fall in the primary school population slackens at the end of the Public Expenditure Survey period. For secondary schools the transitional component is not expected to fall until later in the 1980s.

15 There are limits to the speed with which, in practice, local authorities can redeploy teachers or lose them from their employment and it is therefore not practicable for authorities to reduce the number of teachers they employ in line with the fall in their pupil numbers. The main reasons are:

- a. About one-third of teachers who are surplus in their present posts are likely to be lost through natural wastage. The incidence of natural wastage is random, and in consequence vacancies which occur are in many cases mis-matched - in subject specialisms, in location, in seniority, or in other ways - with the staff available for redeployment, which is delayed accordingly.
- b. Whether individual teachers intend to leave their present posts may not be known until three months before the beginning of a school year. How readily teachers can be redeployed may depend on the nature of their contracts. The majority of teachers (it is not known how many) have customarily been appointed to particular schools - the appointments often being made by the governors of individual schools. Some authorities now include a redeployment clause in contracts. Other teachers are appointed to the service of an authority as a whole, a practice which generally facilitates redeployment.

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- c. Authorities cannot plan ahead for contraction in sufficiently fine detail to offset the management factors described above: they cannot predetermine the size of individual schools with precision for each year during a period of falling rolls. Intakes will be affected by parental preferences, the right of children to cross local authority boundaries with automatic recoupment, and the establishment under the Education Act 1980 of independent appeal committees for disputes over choice of schools. The amalgamation or closure of schools almost invariably involves a transitional period when the intakes or the sizes of schools, or both, fluctuate from year to year and uneconomically small teaching units have to be temporarily accommodated if the curriculum is not to be arbitrarily adjusted.

Furthermore, the pool of teachers theoretically available for redeployment will diminish: with contraction, there will be fewer vacancies at any level of seniority into which teachers who are surplus in their present posts can be redeployed; those who have once been redeployed will generally not be available for further redeployment after a short interval, and some teachers are given guarantees to that effect or a right of return to their original schools.

16. Following consultation with the local authority Associations, the Department judged that these factors should be allowed for by assuming that in sectors where rolls are falling there would be, on average across the country as a whole, a time-lag of one year between the identification of a teacher who is surplus in his present post and his departure from that post. This was not intended to imply that authorities should accept that a year's time-lag was a reasonable practice, but to form the basis for making national forecasts of teacher numbers. This approach was used, with the agreement of the Treasury, in the 1977 and 1978 Public Expenditure Surveys. (The approach in Cmnd. 7841 was expenditure-led, and the outcome is described in paragraph 12 above.)

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Discussion

17. The use of a one-year time-lag is open to question on two main grounds:

- a. is one year on present evidence the appropriate period of lag?
- b. might changes to local authorities' management practices permit the assumption of a shorter, or a diminishing, time-lag?

18. The Group recognises the arguments in paragraph 15 above for some allowance for transitional diseconomies. On the other hand, the quantification of these arguments is difficult to judge. The number of vacancies arising from natural wastage is large in relation to the number of teachers needing to be redeployed; many teachers - if not the majority - might be presumed to give longer notice (at least one school term) of leaving their present posts; the number of teachers, surplus in their present posts, whose movement is constrained by their having already been redeployed is quite small in relation to the total number of such surplus teachers, though it will grow: further investigation may indicate more clearly the extent to which difficulties of planning are increased when rolls are falling.

19. The Group has accordingly considered whether local authorities' capacity to plan ahead in detail might reasonably be expected to permit contraction of the school system to be managed with an (average) time-lag of less than one year; and whether authorities' practices in managing the teacher force might be adapted in order to facilitate the redeployment of their teachers (eg. by recruiting teachers to the service of the authority as a whole rather than to particular schools, and by being ready in appropriate cases to make teachers compulsorily redundant). The Department would not claim that one year is necessarily the right period.

20. The Group considers that some recognition of the problems of reducing teacher complements is required, but that the basis of the present allowance, a time-lag of one year, while an assumption which may stand up for present purposes, requires critical examination. The Department is discussing with the local authority Associations in ESGB what empirical verification might be made of the relevant factors, and the technical aspects of the question will be studied further.

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21. The calculation of structural diseconomies is closely related to questions about schools' curricula and about the distribution of schools by size. The Group will consider such questions in its second report and this calculation has not been examined further at this stage. But the Group notes that the Department is working on a new approach to assessing the schools' needs for teachers in a way which will relate the distribution of schools by size and type, the range of provision, and the requirement for teachers. It is hoped that, when operational, the approach might be able to supersede the present method for calculating structural diseconomies and provide a more sophisticated basis for assessing schools' needs for teachers.

SALARY DRIFT

22. The teachers' pay structure consists mainly of a number of separate incremental scales. The increments are paid automatically unless there are exceptional circumstances of unsatisfactory service. They reflect increasing seniority but not necessarily improved teaching ability: this is because older teachers may be less able to meet the requirements of a changing curriculum and may be less willing to adapt to modern teaching methods.

23. Salary drift arises when the average cost of salaries at constant prices changes. This may be because of a changing proportion of the number of teachers on particular scales or because of a change in the incremental position of teachers within the scales. With a rapidly expanding teacher force and the recruitment of large numbers of teachers at the lowest point on the basic scale, salary drift is likely to be negative. But at the present time with limited recruitment and an increasing average age for the teacher force, salary drift is forecast to be positive and substantial. On the basis of the Department's forecast, and with the assumptions made about natural wastage, the number of retirements and the number of promotion posts, the cost is forecast to increase from £40m. in 1980-81 to £112m. in 1983-84 allowing for the planned reduction in teacher numbers in Cmnd 7841. This represents just over 4% of the teachers salary bill in 1983-84. A change of one percentage point in wastage or of 7% in the number of promotion posts would change expenditure by £10m. The effect of changing the number of school closures or the graduate/non-graduate entry ratio is minimal. Premature retirement of 5,000 rising to 7,500 teachers a year by 1983-84 would reduce the cost of drift by £20m although in first year this would be largely offset by lump sum and pension enhancement payments. The Group intends to examine the scope for a possible scheme of this kind in its second report.

24. The Group accepts the Department's forecasts of salary drift, but in judging the extent to which salary drift can be accepted as not altering standards of provision, the purpose of incremental scales needs to be borne in mind. Increments are designed as a condition of service to reward experience on the presumption that suitable experience engenders better performance. Thus if the teaching force as a whole becomes more experienced, it may be argued that there is an improvement in standards of provision. On the other hand this needs to be set against the point above that increased seniority does not necessarily lead to improved teaching ability.

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NON-TEACHING COSTS

25. In forecasting schools' non-teaching costs, the Department distinguishes between costs related to the number of schools, those related to the number of school places, and those related to the number of pupils. The third of those three forecasting categories includes, for example, expenditure on books and materials and on some non-teaching staff. The first category (related to the number of schools) includes expenditure on "overhead" staff such as caretakers and secretaries and some of the costs of administration. The second category (related to the number of school places) includes the major part of non-teaching staff costs and expenses such as the upkeep of premises, heating and lighting. (Thus all categories include both staff and other costs.)

Cmd. 7841 provision

26. Table 9 sets out the expenditure provision in Cmd. 7841, broken down between these categories. (Books and equipment expenditure is shown separately from other pupil-related expenditure because of the additional "sophistication" factor which this provision includes.) The bracketed figures in the Table represent the expenditure provision which the Department's forecasting models show to be necessary to maintain base year (1978/79) standards. It will be seen that the forecasting model figures are some £5m. higher than Cmd. 7841 provision in 1981/82 and some £50m. higher in 1983/84. The £50m. shortfall in 1983/84 has been put forward as an additional requirement in the Department's 1980 PESC Report.

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Breakdown of England Primary 5+ and Secondary non-teaching costs underlying
Cmnd. 7841

Financial years.	£m. 1980 Survey prices.				
	actual 1978/79	planned 1980/81	1981/82	1982/83	1983/84
PRIMARY 5+					
School related	50	49	48	47	46(47)*
Pupil related (books and equipment)	60	55	52	50	47(48)
Sophistication factor (2%)		2	3	4	nil (5)
Pupil related (other)	44	42	40	39	36(37)
School place related	342	336	327	307	300(302)
1979/80 adjustment factor		10	7(9)	9	nil (9)
Total (£m.):	495	493	478 (480)	456	429 (447)
Total (Index):	100	99.6	96.6	92.1	86.7
FY Index pupil numbers	100	92	88	83	80
SECONDARY					
School related	57	56	56	55	54 (55)
Pupil related (books and equipment)	134	133	132	130	126 (127)
Sophistication factor		5	8	11	nil (13)
Pupil related (other)	60	60	60	59	57 (58)
School place related	456	464	464	458	453 (455)
1979/80 adjustment factor		14	11(14)	14	nil (14)
Total (£m.):	706	733	730 (733)	726	691 (722)
Total (Index):	100	103.8	108.4	102.8	97.9
FY Index pupil numbers	100	99	92	89	87
Total Primary and Secondary (£m.)	1200	1226	1208(1213)	1182	1120 (1169)
Total (Index):	100	102.2	100.7	98.5	93.3

* Bracketed figures are unconstrained forecasting model totals: in 1983/84 it has been assumed for present purposes that the shortfall in provision will affect all categories.

Basis of the Department's forecasts

(i) Analysis into forecasting categories

27. The starting point of the calculation is an apportionment of the base year expenditure into the forecasting categories described in paragraph 25 above. This apportionment is made because the three expenditure determinants - numbers of pupils, schools and school places - which are used to trend forward the base year expenditure, move at different rates. Much of the analysis is straightforward; the apportionment of non-teaching staff costs, which represent nearly 40% of the total, is more difficult. The present apportionment of staff costs reflects the findings of a 1977 survey of non-teaching staff and has recently been confirmed by information on local education authorities' 1978/79 revenue outturn returns. On the basis of this analysis, and on current expenditure plans (ie. reflecting the shortfall noted above) non-teaching staff costs will fall by 6% (c. £25m.) between 1978/79 and 1983/84.

28. The main question which the Group raised on the apportionment of expenditure into forecasting categories concerned the validity of projecting the base year apportionment as constant throughout the Survey period. It was noted that this method fails to take into account the variation that can occur over time in the relationship between different kinds of expenditure and the number of pupils, schools and school places. The Group therefore thought it useful to investigate the sensitivity of expenditure forecasts to changes in the apportionment. The exercise showed that, within a plausible range, variation did not make a significant difference to the expenditure forecasts.

(ii) School-related and places-related costs

29. The forecasts of the number of schools and of school places which underlie these expenditure forecasts are based on evidence about the total size of the school building stock collected in the 1976 PAR "A Study of School Building". This evidence has subsequently been updated to take account of information about new places coming into use and places taken out of use. The projection of places taken out of use is consistent with the Cmnd. 7841 policy assumption that authorities between April 1975 and April 1983 would take out of use 835,000 school places, reflecting (though not pro rata with) the decline in pupil numbers (1.4m.). It will be seen from the bracketed figures in Table 9 that, on this calculation, the Cmnd. 7841 expenditure provision for school-related and places-related costs is insufficient to meet the forecast requirements in 1983/84.

30. The Group has noted that the projection of the number of school places used for forecasting distinguishes between places in permanent and in temporary accommodation. This distinction is made because (a) the running costs of temporary accommodation are appreciably higher than the running costs of permanent accommodation and (b) the closure of permanent accommodation (ie. whole schools) implies associated institution-related savings. The Department's current assumption is that the majority of places taken out of use will be in temporary accommodation. A related assumption is that closure of whole schools will not occur until pupil numbers in the schools concerned have fallen by 40%. The Group has examined the short-run and long-run cost implications of varying these assumptions. The results so far suggest that variations in these assumptions produce little change in the forecast expenditure requirement.

(iii) Pupil-related costs

31. About 90% of this category of expenditure consists of non-teaching staff costs. The forecast of this staff cost element makes some allowance for the assumed impracticability for authorities of reducing numbers of non-teaching staff as fast as pupil numbers decline. The allowance takes the form of lagging the index of pupil numbers, the basis of the forecast, by one year. (In form, therefore, it is analogous to the allowance made for transitional diseconomies in forecasting teacher numbers.) The cost of this allowance which is subsumed within the pupil-related expenditure forecasts, shown in Table 9, is relatively small - of the order of £1.7m. in 1980/81 and £2.5m. in 1982/83. In 1983/84, however, because of the £50m. shortfall referred to above, the cost of the allowance is not included in the Cmnd. 7841 baseline.

32. Two issues arise on this allowance, first whether it is in principle, justified and secondly, whether, if it can be justified, the choice of a one-year lag is about right. On the issue of principle, the Group has noted that the majority of non-teaching staff are part-timers and that, unlike teachers, they will not usually be appointed to the service of particular schools; on this basis one would expect that the prompt redeployment of non-teaching staff would be easier than in the case of teaching staff. On the other hand, local authorities would still be faced with the difficulty of predicting the numbers of pupils on roll at particular schools for the reasons discussed in paragraph 15c above. The Group will be considering these arguments in greater depth and also looking at the choice of a lag of one year in its further work.

(iv) Pupil-related costs - (books and equipment)

33. This area of expenditure is projected forward from the base year by reference to the movement of pupil numbers. The Department then includes an additional 2% pa. (compounded) in the forecast to allow for the growing "sophistication" both of the school curriculum itself and of some key school text books, equipment and materials. As Table 9 shows, the expenditure provision in Cmnd. 7841 is not sufficient in 1983/84 to meet any of the cost of the sophistication allowance.

34. The Group have agreed that the sophistication allowance, in so far as there is provision for it within the current expenditure plans, represents an improvement on 1978/79 standards of provision. The case for this improvement rests on the growing demands that are being made on the school curriculum: at primary level, for example, the Government is encouraging the introduction of more **science** teaching while, at secondary level, schools are being pressed to respond to the development of micro-electronic technology and generally to do more to prepare pupils for working lives in industry and commerce. While it is true that micro-electronic equipment is becoming cheaper, schools are using more and also require more materials, including books, to use in association with it. Her Majesty's Inspectorate of Schools advise that text books, and in particular science books are becoming out of date (and therefore need to be replaced) more and more quickly. Additionally diseconomies of smaller scale will affect school libraries and there is therefore a limit to the extent to which shortages of books will ease as school rolls fall. The Group has accordingly agreed that the sophistication allowance represents an unavoidable improvement. Its amount is of course a matter of judgment.

(v) Overall adjustment of non-teaching cost

35. As Table 9 shows, the forecasts include the simple 2% addition* to total non-teaching costs that was embodied in the 1979/80 and 1980/81 Rate Support Grant settlement. This is carried forward, in so far as the Cmnd. 7841 expenditure provision is sufficient, to 1981/82 and 1982/83. There is no provision for it in 1983/84. Under the last Government's expenditure plans, the 2% adjustment of non-teaching costs was one of a series of similar annual allowances, the effect of which was to be cumulative, beginning in 1978/79 and ending in 1982/83. The purpose of these allowances was to enable authorities, over a period of years, to cover expenditure that had been deferred in 1976/77 and 1977/78. In those years, local authorities, under pressure to make quick savings, (especially in 1976/77 when revised budgets were called for), cut

* under the heading 'adjustment factor'.

expenditure on school books, equipment and materials and on the repairs and maintenance of school premises rather than on staff. It is in these areas, unlike staff, that cuts can be made at relatively short notice. Hence the justification for the upward adjustments of the non-teaching costs forecasts under the last Government's expenditure plans was that, if authorities did not restore expenditure to its original level, standards of provision would progressively deteriorate as stocks of books etc. ran down and as a backlog of premises and maintenance work mounted. The view of HMI is that stocks of books and materials in the schools are in fact seriously depleted and that the current state of disrepair and poor decoration of some school premises is having an adverse effect on standards of education.

36. The Group have agreed that, notwithstanding these arguments, the adjustments which are allowed for within the current expenditure plans have to be seen as an improvement over actual per capita expenditure in 1978/79. In reaching this conclusion the Group have taken into account the fact that the Government is not committed to building back the effects of reductions in the previous Government's expenditure provision. The Group have also been mindful that while local authorities exercised their discretion in 1976/77 and 1977/78 to make reductions at short notice in provision for books etc. and upkeep of premises, they have not been prevented from restoring these in due course by making alternative reductions in other areas.

UNIT COSTS

37. The governing principle adopted by the Department in estimating its needs for public expenditure on schools is the maintenance of standards of provision. In assessing the resources required to maintain standards of provision, the Department takes into account each of the allowances that has been discussed in paragraphs 11-35. Unit costs are seen as a "resultant", rather than the basis for these plans. Treasury Ministers, on the other hand, recommended that financial provision for schools expenditure in the 1979 Survey be made by reference to stabilised 1978/79 unit costs plus a general margin of expenditure in acknowledgment of the problems of reducing scale. The end result, as described in paragraph 7, was an allocation of resources in Cmd. 7841 which declined at half the rate of the fall in pupil numbers. The difference between these two approaches is what has given rise to the Department's additional bid.

38. The Group agrees that unit costs are useful as a yardstick, allowing increases or decreases to be isolated and related as appropriate to the changing composition of the school population, the problems of reducing scale etc. It is recognised that good management will not necessarily be synonymous with the maintenance of constant unit costs. Unit costs also illuminate any tendency towards "incrementalism" in financial management over a run of years, and they could help to emphasise the need for local authorities to run schools as efficiently as possible. Unit costs may also have a role to play in Ministers' consideration of the allocation of resources between services within a constrained global total.

39. The argument against undue emphasis upon unit costs is that the Department is concerned with individual policies for separate aspects of the education service, and needs to ensure that expenditure provision is related to these. It should be possible to explain projected increases in unit costs by references to the changing composition of the units and to the various determinants of expenditure which relate to standards of provision.

OTHER MATTERS

40. In the short time available the Group has given the weight of its attention to an examination of the standards of provision in 1978-79 and the conclusions in the final section of this report set out the consequences as we see them for the period up to 1983-84. But the Group has begun to think about the relationship between the standards of provision and the quality of education and the following is a summary of the ground so far covered, together with a note on what further work will be undertaken.

11. Implicit in the present methods of forecasting expenditure on schools is the wider question of how far the Secretary of State can influence the managerial practices of local authorities; and this question forms a bridge to the second part of our terms of reference because of the (assumed) relationship between managerial practices and the quality of education provided. We have felt constrained to examine this question within the confines of the present system of RSG and not, for example, to revive arguments about specific grant or to consider the extent to which the present proposals for Block Grant could be used to give central government a stronger say in the disposition of sectoral expenditure by individual authorities.

12. It follows that one cannot look to the forecasting methodology to ensure that particular policies pursued by the Department will be faithfully and precisely adopted by local authorities. The essential nature of RSG is that authorities are free to spend what they receive as they choose. But the models can and do include normative judgments about the policies which, in the Department's view, authorities ought to pursue. The "sophistication" and "adjustment" factors already discussed represent judgments by the Department about the level and emphasis of expenditure on books, equipment, repairs and maintenance. The assumption about the number of school places to be taken out of use is intended as a means of inducing authorities to pursue a realistic policy of school and place closure. The one year time-lag should not obscure the fact that the approach to teaching costs assumes a downward drift in numbers which influences authorities' policies on recruitment and deployment.

13. In our second report we shall examine ways in which the Department influences, or might influence, authorities' managerial practices outside the operation of RSG. This will include a review of factors of the kind discussed in paragraph 15. We shall also consider an accelerated retirement scheme as a way of helping authorities' staffing policies. An important emphasis of our work, however, will be on the policies which the Department is pursuing on the school curriculum. In relation to this, we shall look at the structural diseconomies of scale in the present teaching costs model

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22.

(see paragraph 21) and report on the work which the Department is doing on a demand-based model of secondary school staffing which is designed to relate policies for school staffing more closely to the schools' educational needs. The Group will also continue its examination of possible measures of the quality of education, taking into account a study already begun of historical unit costs: but it has already become clear that this raises very difficult problems.

Department of Education and Science

HM Treasury

June 1980

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ANNEX

MEMBERS OF THE WORKING GROUP

DES

J H Thompson (Chairman)

C A Clark

B D Cullen

R H Stone

N Summers

HM TREASURY

C H A Judd

J D Pole

The following also attended the meetings and gave advice on technical matters:

R B Ladley (DES)

D J Lewis (DES)

R B Stannard (HMT)

SECRETARIAT

B R Morris (HMT) }
Mrs H M Williams (DES) } (Joint Secretaries)
P M Hubbard (DES)

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- 4 JUL 1980

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je BK
Education

10 DOWNING STREET

From the Private Secretary

MR. IBBS

The Prime Minister has seen your minute to me (Qa 05085) about Schools Expenditure.

She was interested to see the interim report of the Working Group on Schools Expenditure, and she has considered carefully your proposal that she should take this opportunity to push ahead with some of the ideas set out by Sir Derek Rayner and Sir Kenneth Berrill in their paper of 4 January on Efficiency and Waste in Local Government. But the Prime Minister is also reluctant to embark on too many separate value-for-money initiatives at one time, and has some doubts as to whether this is an appropriate moment to press forward work on the Rayner/Berrill proposals. In her view, the keys to high quality education and excellent administration are first class head teachers, effective chairmen of educational committees, and good directors of education. She feels that concentration on securing the right individuals for these key posts is likely to be the most effective means of guaranteeing high quality.

I am sending copies of this minute to Clive Priestley in Sir Derek Rayner's Office and to David Wright in the Cabinet Office.

MAD

5 August 1980

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VS

PRIME MINISTER

This note from the CPRS suggests that the Working Group on Schools Expenditure's report provides an opportunity to push ahead with some of the proposals put to you earlier in the year by Derek Rayner and Ken Berrill on efficiency and waste in local government.

This would move into the area of quality in education which has come into the argument about local authority education expenditure in Cabinet recently.

Mr. Ibbs attaches a draft letter for us to send to DES recording your wish to see more work in this field.

The Working Group's report (which you saw earlier, and is now at Flag A) is certainly an opportunity to return to these themes. You had earlier agreed that we should hold back, given the number of different pieces of work on value for money which are in hand. If we returned to the charge now, Mr. Carlisle may well think that this is a direct result of the Cabinet's arguments about interpretation of quality in education. But if you are interested in pressing these ideas at all, this report provides a logical opportunity. Would you like me to write to DES as proposed by the CPRS?

Am not very happy about
the letter. All you need
for high quality education
and excellent administration

MAF

1 August 1980

and
(i) first class handwritten
(ii) effective Chairman of C&A Committee
(iii) Good Director of C&A
Concentrate on getting those you will
have found the answers. — not,



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Educator
BF 29/VII

Qa 05085

To: MR PATTISON

From: J R IBBS

Schools Expenditure

1. The Prime Minister will have seen a copy of the letter of 4 July from the Secretary of State for Education and Science to the Chief Secretary to the Treasury enclosing the interim report of the Working Group on Schools Expenditure.

2. In the next stage of its work the Group will go on to examine the relationship of standards of provision to the quality of educational output. The Prime Minister may like to consider whether this provides an opportunity to push ahead with some of the proposals in the note of 4 January by Sir Derek Rayner and Sir Kenneth Berrill on Efficiency and Waste in Local Government. In their note they argued that both ratepayers and central government as paymasters of local government needed consistent information about the way in which local authorities spend their money and the cost-effectiveness with which they do so. In particular they recommended:

- (a) more information on differences in unit costs;
- (b) a review of the role of HM Inspectors in monitoring value for money;
- (c) publication of guides on value for money and model staffing regimes;
- (d) finding ways to improve the managerial competence of senior teachers and administrators.

3. It seems to us the Working Group should provide the raw material for these proposed instruments. We are concerned that the interim report appears to play down the lessons which can be learnt from studying variations in unit costs. It also appears somewhat defeatist about the scope for establishing what the relationship is between local authority management of resources and the quality of education provided and about the scope for influencing management practices.



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4. We suggest that the Prime Minister might write to Mr Carlisle on the lines of the attached draft, reminding him of the Rayner/Berrill recommendations and suggesting that the Working Group should aim at developing some of the instruments proposed there for measuring and influencing cost-effectiveness.

5. I am sending a copy of this minute and the attachment to Sir Robert Armstrong.

JRF -

24 July 1980

Att.


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DRAFT LETTER FROM MR PATTISON TO THE PRIVATE SECRETARY TO THE
SECRETARY OF STATE FOR EDUCATION AND SCIENCE

Schools Expenditure

The Prime Minister has seen the letter of 4 July from your Secretary of State to the Chief Secretary. She was interested in the Working Group's proposals for handling their remit to study the relationship between the standard of provision and the quality of education. She feels it should be possible to learn valuable lessons from comparisons of unit costs in different authorities, analysis of the reasons for them, and study of the differences in the quality of education which arise in consequence. She hopes this area is going to be thoroughly investigated by the Working Group.

She noted that the Group foresaw difficulties over how far the Secretary of State could influence the managerial practices of local authorities. In this context she thought the proposals in the paper on Efficiency and Waste in Local Government by Sir Derek Rayner and Sir Kenneth Berrill were relevant. I sent you a copy of this report under cover of a copy of a letter to David Edmonds on 18 January. In particular the Prime Minister thought the Working Group ought to try to use HM Inspectors' resources to identify examples of good practice in giving value for money (recommendations 4 and 7), ~~work up model staffing regimes (recommendation 9)~~ and guidance on management of educational institutions (recommendation 8). These would be based on studies of variations in spending and quality of output in different authorities (recomendation 6).

*Point behavior
in "model
staffing regimes"*



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I am sending a copy of this letter to the Private Secretary to the Chief Secretary, to Sir Robert Armstrong, Sir Derek Rayner and Mr Ibbs.

EDUCATION IN THE REAL WORLD

The Government is determined to maintain and improve the quality of education in this country.

A good education system ought to provide opportunities for every young person to develop his or her full potential. Unless we have rising educational standards, society and its economic basis will degenerate. Progress in education necessarily involves effort and sacrifice by Government and local authorities, teachers, taxpayers and ratepayers.

We have to combine this with lifting very considerably the standards of our economic performance. If we are to get the economy on the move again we have to clamp down on inflation and to reward hard work and enterprise a lot better. We cannot do either of these things without cuts in public spending.

The education services cannot be exempted from this discipline. Last year education cost nearly £9 billion, which was more than one eighth of total public spending in Britain. About half of all current spending by local authorities goes on education.

The Government intend to cut spending on education gradually so that in the five years ending 1983-84 the reduction will be just over 9%. Current spending for every youngster at school will increase (by about 5%) because the total number of pupils will drop by 13% to 14%.

Even so, declining school rolls will bring problems. We must face the fact that some schools will have to be closed or amalgamated. Half-empty schools are a waste of resources. They can also mean that children do not have the wide choice of educational opportunities which they ought to have. Education in the real world means rejecting arguments that because a school has been there for 100 years, it should be preserved even if children suffer.

All this is hard for teachers who see the number of posts falling. Nevertheless there are serious shortages of mathematics and science teachers, and we need more teachers with a strong awareness of the life outside the academic world.

Children still need a wide general education. But the country must have more

/teachers....

teachers who can pass on enthusiasm for mathematics, physics, chemistry, technology - and through its special training scheme the Government is recruiting more of them.

In the real world, we have to ask what we expect of education:

- should we expect the resources provided for education to subsidise meals even for children whose parents can afford them? Very few other countries do this.
- should employers expect schools to provide perfect workers from the day they start work? How much responsibility will employers take for training and helping the youngster once he is on the payroll?
- should parents really expect the school to provide the character training that they themselves find so difficult?

The education service, like all other aspects of life, must become more efficient, and it should concentrate on those aspects of life that are properly 'education'.

Clear thinking about priorities and a determination to manage all the resources of education as efficiently as possible will make higher educational standards possible. It is poor service to young people to argue that nothing should be changed from arrangements made in the past.

This summer over three-quarters of a million youngsters will be leaving schools and further education. They will have experienced an education system which, despite its faults, is one of the best in the world. Three-quarters of secondary school children are in schools built since the war. The number of pupils to each teacher is now 19 to 1 compared to 25 to 1 in 1961.

But many of them will be looking for jobs in the most discouraging circumstances and too many are emerging from school ill-equipped to take advantage of what job opportunities there are. This is a bad start to adult life.

/That is.....

That is one important reason why the Government is giving top priority to getting the economy right and is not shirking painful but necessary decisions. In the real world economic success and resources for education, as for anything else, go together.

Paymaster General's Office
Privy Council Office
68 Whitehall
SW1

14 JULY 1980



✓
MA

Education

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Mark Carlisle MP
Secretary of State
Department of Education and
Science
Elizabeth House
York Road
London SE1 7PH

9 July 1980

Dear Secretary of State

SCHOOLS EXPENDITURE

I am glad that we now have this report to illuminate our forthcoming discussions about the level of provision for expenditure on schools at a time of falling pupil numbers. It should certainly help us all to appreciate, on the one hand that it is not reasonable to expect schools expenditure to fall *pari passu* with the drop in pupil numbers, and on the other that there is considerable scope for judgement about precisely what level of expenditure is required in the light of the sentence in the Queen's Speech concerning "the quality of education" and in the context of the public expenditure position as it now is.

I am sending copies of this letter to the Prime Minister, other Members of Cabinet, Norman Fowler and Sir Robert Armstrong.

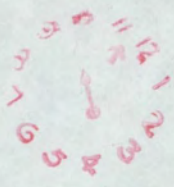
Yours sincerely

R. W. Hs

PP JOHN BIFFEN

[Approved by the Chief Secretary
and signed in his absence]

0881-TM-6
- 9 JUL 1980



CONFIDENTIAL

Edme 2



ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon John Biffen MP
Chief Secretary to the Treasury
Parliament Street
LONDON SW1

4 July 1980

ml

Prime Minister

Dear John.

*You might like to glance at
the 3-page summary of
this report MAF 4/vii*

SCHOOLS EXPENDITURE

In the final stages of the 1979 Public Expenditure Survey I maintained that the scope for making further economies in primary and secondary education, without damaging standards, was more limited than some other Ministers were inclined to accept. Subsequently it was agreed that a working group of officials from the Treasury and my Department should be established: -

"To consider first, whether the resources allowed for current expenditure on primary and secondary schools in England in Cmnd 7841 are appropriate for the purposes of maintaining up to and including 1983-84 the standards of provision in 1978-79 and secondly, how far the quality of education is likely to be affected by the standard of provision. "

The working group has now submitted to us an interim report covering the first part of this remit. (It hopes to report on the second part later in the year.) I understand that you agree with me that both the main report and a summary of it should be circulated to our colleagues before we embark on the 1980 Survey on 10 July. I am therefore sending both documents, with copies of this letter, to the Prime Minister, the other members of the Cabinet, Norman Fowler and Sir Robert Armstrong.

Yours ever

Mark

MARK CARLISLE

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