11 September 1974

CABINET

PUBLIC EXPENDITURE ON EDUCATION 1974–75 TO 1978–79

Memorandum by the Secretary of State for Education and Science

1. At a time when public expenditure has to be severely constrained, it is all the more important that we should get our priorities right. If we follow the Chancellor's proposals I fear we shall be taking the wrong course; while assenting to large increases in subsidies and transfer payments, we shall be starving the basic social services, including education, of the resources they need to operate at even a tolerable level of efficiency.

2. Over the last year education has lost ground in the allocation of resources, compared with many other programmes. It suffered severely under the cuts imposed by the last Government in December 1973, and we have done nothing to restore those cuts. Nor has education had any share of the large increases in public expenditure which we authorised for other services soon after we came into office.

3. The formula we adopted earlier this year to set expenditure limits for programmes for the purposes of the Public Expenditure Survey Committee (PESC) report bore as hardly upon education as on any other service. However the education figures in the PESC report, taking the four years 1975–76 to 1978–79 together, fell within the prescribed limits, though only by postulating further severe reductions in both capital and current expenditure. Since that report was prepared revised forecasts of pupil and student numbers have led me to judge that, by taking a calculated risk about future likely demand for education, it is possible to reduce my estimates (excluding those for Scotland) by £176 million over the four years. In particular I am ready to accept a target of 640,000 students in higher education in 1981, compared with the figure of a million that we advocated when in opposition. This presents an opportunity to restore many of the cuts which were assumed for PESC purposes, and my proposals, as set out in the Chancellor's paper, are intended to achieve this purpose and still yield a small net saving. For his part, the Chancellor has offered me £23 million as part of the package for the reflation of the building industry—a very welcome step which will however help me only in 1975–76—£4 million for an increase in the rate of grant to Church schools (which will do nothing to provide additional educational facilities) and £37 million for other expenditure, a total of £64 million. This does not go nearly far
enough. In the first place I must restore the cut of £25 million in local authority current expenditure on education in 1975-76 built into the PESC figures. Coming immediately after the cuts in 1974-75 made by our predecessors last year, it is bound to depress the standard of provision of books and equipment, already a subject of widespread complaint, and may well lead to unemployment among newly trained teachers - all this at a time when the Bullock Committee has just recommended a big effort to improve the teaching of reading.

4. On capital expenditure:
   i. The nursery building programme for 1975-76 would still fall short of the £22.9 million (starts) already allocated by our predecessors to local authorities for that year (and for 1974-75). If our statement in The Queen's Speech of priority for nursery education is to be honoured, the cut must be restored.
   ii. The special school building programme for 1975-76 would still be well below the original figure. Here again, if our pledges to help handicapped children are not to be broken, the cut must be restored.
   iii. The non-advanced further education programme of £15 million (starts) for 1975-76 would be only half the original figure. Further education at this level not only provides opportunities for the majority of school leavers who do not go on to university or other higher education but also represents an investment in skilled manpower urgently needed by industry. I want to see the original programme restored.
   iv. I must do more to replace old schools, secondary - to help comprehensive reorganisation - as well as primary. The figures that I have in mind (£37 million starts in 1975-76 rising to £55 million in 1978-79) are still well below those planned by the last Government.

5. Even after the additions proposed in the two previous paragraphs, my programme will not allow for the restoration of free milk to all children under 11. It also envisages increases totalling 3p in the charge for school meals next year, the first of which would take effect in January 1975. Indeed I attach so much importance to the restoration of the cuts which I have listed, that, as a contribution towards the expenditure entailed, beyond the limits proposed by the Chancellor, I am ready to see the price of the school meal increased by 3p (as was done in April 1971) in January next, with subsequent increases each year sufficient to ensure that the charge to parents keeps pace with rising prices.

6. I invite my colleagues to note the consequences for the education service of accepting the Chancellor's proposals, and to approve my own proposals as set out in paragraphs 3 and 4.

R E P

Department of Education and Science
10 September 1974