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CONFIDENTIAL FILING

WIDER PARENTAL CHOICE (MISC 91)
EDUCATION VOUCHERS

EDUCATION

297

NOVEMBER 1982

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C/O L

DEPARTMENT OF EDUCATION AND SCIENCE

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FROM THE SECRETARY OF STATE

David Barclay Esq
 Private Secretary to the
 Prime Minister
 10 Downing Street
 LONDON
 SW1

cc Mr Gregson
 then Bif

18 November 1983

Dear David,

Thank you for your letter of 16 November.

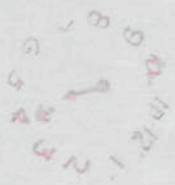
As regards the second paragraph of your letter, my Secretary of State is pursuing the possibilities discussed with the Policy Unit in the wider context of educational standards in the schools. He intends to write to the Prime Minister before Christmas.

Bif
 see reply 9.12.83
 EDUCATION: Secondary School Education Part 2

C E Hodkinson

pp MISS C E HODKINSON
 Private Secretary

Educator: Wider Parental
Choice Nov '87



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file 116
cc Mr Gregson CO
Olive Lehnin

10 DOWNING STREET

From the Private Secretary

16 November 1983

In his letter of 4 July to Imogen Wilde, Tim Flesher asked your Secretary of State to arrange for discussions with the Policy Unit here about ideas for pursuing wider parental choice. He went on to say that the Prime Minister would then wish to return to this subject.

Could you please let me know when you are likely to be in a position to come back to us on these ideas, which the Prime Minister may well see as relevant to current consideration of educational standards?

DAVID BARCLAY

Miss Elizabeth Hodkinson,
Department of Education and Science.

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bc. Ferdinand Mount
Peter Gregson (CO)

Ref

10 DOWNING STREET

From the Private Secretary

4 July, 1983.

The Prime Minister has now seen your Secretary of State's minute of 29 June about a number of possible policy options for pursuing wider parental choice and influence over education. She considers that the ideas identified by your Secretary of State are all worth while, and ought now to be pursued. She wonders, however, whether the scope for progress might be greater than appears to be implied in your Secretary of State's minute, and she would be grateful, therefore, if he could arrange for the ideas in the paper to be discussed with Ferdinand Mount here, with a view to identifying whether a more ambitious programme might be possible. When those discussions are complete, the Prime Minister would like another opportunity to consider how best to take the work envisaged in your Secretary of State's minute forward.

Timothy Flesher

Mrs. Imogen Wilde,
Department of Education and Science.

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10 DOWNING STREET

Prime Minister

1
MK

Attached are

a) a minute for Sir Keith
Joseph on where we go
from here on educational
choice

b) a note from Fredy
commenting on a)

I think the first step
in taking this work forward
might be to reconvene the
small group i.e. the Chancellor,
Sqs for Education, ^{Environment,} Employment
and Trade and Industry to consider
Sir Keith's proposal.

Do you agree?

TZ
1.7

PRIME MINISTERWIDER PARENTAL CHOICE AND INFLUENCE

Keith's note describes how we might put our Manifesto commitment into practice.

1. He rightly points out that "we shall continue to seek ways of widening parental choice and influence over their children's schooling" gives us much scope. But we have effectively blocked off, for the time being anyway, one major possibility, namely credits/vouchers. Statements by Ministers during and after the Campaign have, I think, made it pointless even to publish any recognisable scheme for this sort, such as the advisers' scheme. Even a Green Paper would raise alarm and opposition and make it impossible for step-by-step progress towards parental control.
2. Keith makes five suggestions for step-by-step progress. These are all well worth considering urgently, and you may feel you want a small Ministerial Group to consider them as soon as possible.
3. But these five useful proposals still leave a gap. I think what we are all searching for is a means to promote the creation of more schools comparable either to the old direct grant schools or to the present voluntary aided schools. It is, I think, possible to envisage granting true internal self-management to schools which are wholly state-funded. As far as current finance goes, this is already true of voluntary aided schools. The one objection put forward by the DES to giving most state schools this much freedom is that the church schools are tolerable only because they form a small minority. If every school had control over its own admissions, the LEA would still have to look after those pupils whom no school would take.

One way through this difficulty might be to create a new category of school, the "voluntary county school". This would have the independence of the church schools (independent Board of Governors with the power to appoint headmasters, etc) minus the power over admissions. A voluntary county school would have to take the

children allocated to it by the LEA, but would be almost entirely responsible for their education. One can envisage schools of this type springing up in inner-city centres as well as in country areas. It might even be possible to grant existing county schools the powers to "go voluntary", provided they satisfied educational standards. If the idea of the voluntary county schools caught on, we could move gradually to a pattern more like that of, say, the Netherlands, where the majority of schools are under independent management, although remaining state-financed.

It is, I think, inevitable now that we should move towards our goal by steps, but I think we should consider whether we could not take rather larger steps than Keith's paper envisages.

Would you be agreeable for the Policy Unit to explore with the DES how we might move forward a little faster?

Yes
ms

fm

FERDINAND MOUNT

PRIME MINISTER

WIDER PARENTAL CHOICE AND INFLUENCE

1. Our Manifesto commitment ("we shall continue to seek ways of widening parental choice and influence over their children's schooling") gives us large scope. We now need to decide in principle what type of initiative we shall adopt to implement that commitment for this Parliament.

2. The Group which you chaired in the months before the Election cleared much of the ground. It decided that (a) we should not seek new methods to facilitate access to private schools, but (b) concentrate on the sector which offers free schooling; and that we should not pursue a radical plan for taking the generality of such schools out of local authority control. Instead the group asked me to pursue a special advisers' proposal that LEAs should be empowered to convert some or all of the schools they maintain into largely free-standing institutions with a qualified autonomy in respect of the employment of staff, premises, the character and curriculum of the school and the admission of pupils. Parental influence would be achieved by making each school's income depend on the number of pupils it attracted: for each registered pupil the school would be entitled to a "credit" from the LEA. One essential feature of this proposal is that the new-style school regime would operate only if the LEA decided to adopt it.

3. The advisers' scheme has been appraised jointly by officials here and my special advisers. The attached paper represents their agreed findings so far*. Much more work would be needed to tease out all the practical problems, but the paper shows how the scheme would probably have to operate. The scheme should be regarded as a first step towards the fulfilment of long-term aims rather than as a means of ameliorating the education service within the lifetime of this Parliament! —

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Pre Minutes

* I do not think you need to look at this in any great detail: it is still very much on the drawing board (and see Mr Mounts comments).
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- (1) Since the new-style regime would, in the relevant localities, radically change the relationships between the local authority, the schools, the parents and the Secretary of State, we would require a long Bill, which could not be introduced before 1984/5. There could be no change on the ground until 2-3 years after enactment:
 - (2) We could not proceed before we had conducted negotiations with Conservative-controlled LEAs to ensure that enough of them were willing to try out the scheme to justify the legislative and political capital that we would have invested in it:
 - (3) Those LEAs who did adopt the scheme are almost certain to be responsible for schools where the need for improvement is least pressing. We would not touch the inner cities.
4. In my view these factors effectively rule out showing results in this Parliament from any scheme which entails a radical shift in the balance of power between the LEA and the schools it maintains. Before we could seek legislation, it would be essential to test out our ideas in public. The advisers' scheme stands or falls by whether it is capable of finding willing takers among LEAs: in my view, the only way of getting nearer to the answer will be to publish our proposals, once we are satisfied that they are feasible, so that LEAs can judge in the light of public discussion and controversy whether they would be prepared to volunteer for such a substantial change. Publication of such a controversial proposal would be a big political step. Before we take it, we would need to be sure that we could, if necessary, withdraw with honour and that putting the spotlight on the proposal would not damage our other policies for improving standards.
5. I would now like to consider with colleagues whether we should publish a proposal based on the advisers' scheme. We

should also, I believe, promote in this Parliament other less radical initiatives which offer the assurance of immediate gains for parental influence and choice. That they would not in themselves transform the present system would disappoint some of us. But that characteristic would at least ensure that they could be implemented well within the life of this Parliament.

6. There are two proposals, which do not require legislation, on which we can make immediate progress:

1. Parent Governors on every governing body:

Useful progress has been made on a voluntary basis in bringing in the new school government provisions of the 1980 Act on elected parents and teacher representatives. We need to go faster. Despite the likelihood of objections from the local authorities about administrative difficulties, I have it in mind to set a target date - September 1985 - by which all schools would be required by law to conform with the new arrangements.

2. Expanding the Assisted Places Scheme: A large expansion would destroy the scholarship character of the scheme which has been the basis of its success. Nevertheless on the present basis there is room for a worthwhile expansion of the scheme by up to 1000 places a year (or by 20%) at a cost rising to £5-6m a year after 5 years.

My other proposals would require fairly modest legislation which could be ready for the 1984-85 session. They are:

3. Making schools formally accountable to parents: We could legislate to require the governing body of each maintained school to give a written account of its stewardship annually to every parent, and to convene an annual meeting of parents at which these could ask questions and pass resolutions. The governors and the

maintaining LEA would be required to consider any resolutions so passed. Failure to give proper consideration could be the subject of a complaint to the Secretary of State, leading possibly to default action on his part, or could be pursued in the Courts. This procedure would supplement individuals' existing rights of complaint to the holder of my office which enable corrective directions to be made when he is satisfied that LEAs or governors have abused their powers or neglected their duties.

4. Devolution of financial responsibility to schools: The accountability of governing bodies to parents would be further strengthened if we also legislated to put a general duty on LEAs to devolve to school governing bodies (and via them to headteachers) responsibility for and the management of as much of the school budget as would be compatible with the overall exercise of the LEA's duties and subject to the efficient use of resources. The proposal would oblige LEAs to consider moving in the direction of greater financial self-management along lines which certain LEAs are now pursuing experimentally. The pressure to do so would be the greater because the exercise of such a duty could also be the subject of complaints to the Secretary of State, and action by the Courts where, for example, parents felt that the LEA was not addressing itself properly to establishing arrangements for greater devolution.

5. Open Enrolment Schemes: In the situation in which we now are I believe that we should look again at the potential of my earlier proposal to MISC 91 for securing a real extension of the right of parents under our 1980 Education Act to their choice of school. That choice is now limited principally by the costs associated with adjusting the local pattern of schools to parental demand. I continue to be attracted by legislation which would provide a new discretionary power to agree cost effective schemes with

LEAs for the expansion of popular schools and either the improvement or the closure of unpopular ones; part of such bargains would be a new specific grant to assist with the transitional costs of the consequent reorganisation. Such a discretion would be a flexible means of securing that maintained provision was organised in greater conformity with parental wishes. Although, to be effective, such scheme would require significant extra public expenditure, its direction and the total would be under our control.

7. Proposals (3) and (4) above might, I suggest, be linked. They have the advantage of applying universally. Proposal (5) would apply selectively, but could attract Labour-controlled as well as Conservative-controlled LEAs.

8. Do you think that we should pursue:

- i. further work on the advisers' scheme with a view to the public presentation of our ideas next year;
- ii. some or all of the proposals outlined in paragraph 6 for implementation as soon as possible within this Parliament?

In either event you may feel that special machinery is required to take matters forward.

9. I am not at this stage copying this minute to other Cabinet colleagues.

KJ

29 June 1983

EDUCATION CREDITS

1. This paper describes a possible education credit system (ECS) in which, by a reduction of the powers of LEAs, maintained schools (but not special schools) would be granted a much greater degree of autonomy over admissions, curriculum, employment of staff and premises than under the present Education Acts. Such schools would, except in certain special circumstances, be funded by the LEA directly in proportion to the number of pupils registered thereat.
2. The system presupposes that LEAs adopting it would be volunteers. Many new (and unexplored) features would be needed to enable it to be introduced and operated in the area of a hostile authority. A participating LEA could apply it to the whole, or part, of its area.

STRUCTURE PLANS

3. The ECS would be radically different from the present arrangements and needs a degree of stability once launched in a locality. The means of achieving this would be by the mechanism of a "structure plan" drawn up by the LEA concerned and submitted for approval to the Secretary of State. Once approved, the LEA would be bound by the general shape of the agreed proposals. These could be changed or withdrawn only by repeating the formalities culminating with the Secretary of State's approval.
4. Each volunteer LEA's structure plan would need to list the schools to be included in the proposed new arrangements, and describe the LEA's proposed policy on a number of related matters (eg. provision for the under 5s, school transport, etc.) and, perhaps, on other points as prescribed in Regulations. A circular would give general guidance on features normally to be expected in acceptable schemes. At least the initial

schemes are likely to be the subject of preliminary discussions before formal proposals are made.

5. Since ECS proposals would affect parents and others and be likely to raise some local controversy, they should be the subject of local consultation and open to objection by local government electors in the same way that school organisation proposals are now under the Education Act 1980. It would then be for the Secretary of State to consider an LEA's proposals on their merits and in the light of any objections received.

THE SCHOOLS

6. The basic ECS unit would be the school, which would need a new free-standing status. The school's objective would be to fashion its educational provision in response to demand.

But it would be financed almost wholly from public funds, and the proposed model is the charitable trust set up as a company limited by guarantee. While not strictly trustees, the members of such a company can be obliged by the Memorandum of Association to act in all respects as such. Provided they keep within the terms of the trust, their liability is limited to a nominal sum.

7. The creation of an appropriate trust for each county school involved in an ECS scheme could be made relatively straightforward by the use of a model document. In the case of voluntary (mainly Church) schools, however, problems would arise from the probable need to vary their existing individual trust deeds. In both cases, the potential complications of trust status and reversion to LEA management (see paragraph 19) need further thought.

THE GOVERNORS

8. The members of the company would be the governors of the

ECS school. To help smooth the transition to ECS status, the existing governors would form the first board. If any governors were unwilling to serve under the new regime, they would need to be replaced by the appropriate appointing body or, in the last resort, by the LEA. After the first year, though, the new constitutions would come into force.

9. Since ECS schools would be financed mainly by the LEA and in view of its continuing responsibility for ensuring that all children in the area were properly educated, the authority would appoint a sizeable minority of the governors, say 40% in the case of the former county schools. It would also be appropriate for the head teacher to continue to be a governor, and for the parents and teachers each to elect one or two of their number to serve as governors, all as provided in the Education Act 1980.

10. Former voluntary schools would need to be allowed to retain the present proportion of foundation governors. These are generally appointed by the voluntary body responsible for the school and their purpose is to ensure that the school is conducted in accordance with any trust deed relating to it and that the school's voluntary character is preserved and developed. Foundation governors are in a majority of two or three in the case of aided schools and constitute at least a fifth (and never much more - certainly not a majority) in controlled schools.

11. The remaining places on the governing body (very few in the case of a former aided school) which should provide a balance of relevant interests and expertise, could be filled either by persons elected by (but not necessarily from) the parents, or co-opted by the already appointed governors. Ministers will wish to consider the merits of the two approaches. The kind of governors needed might be readier to be co-opted

than to submit themselves to election, but election is a more open procedure. The scheme requires sufficient people of

the right calibre to be found to run effectively commercial ECS schools on a voluntary basis. The undertaking will be challenging, and that of itself might help to secure the services of appropriately motivated people, but some doubt must remain whether this is achievable.

12. The detailed constitution of the governing bodies, currently set out in Instruments of Government, would be specified in the companies' Memoranda of Association. In the same way that voluntary school instruments are currently made by the Secretary of State, each new Memorandum would need his approval. Standard forms should be helpful for former county schools. Things may be more difficult for former voluntary schools.

RESPONSIBILITIES OF GOVERNORS

13. Ideally, the schools' land and premises should be vested in the governors. This would already be the case for former voluntary schools. But it would create difficulties over possible reversion to LEA management (see paragraph 19). So leasehold at a peppercorn rent would be the more appropriate tenure. A suitable means of holding any property acquired from public funds after gaining ECS status would need to be devised.

14. The governors would be responsible for all aspects of running their schools with the income derived from credits: property matters; the employment of staff; the curriculum provided; and the admission of pupils. These issues are discussed in more detail below. The governors' detailed responsibilities would be set out in their company's Articles of Association. These would correspond to schools' present Articles of Government but would be simpler because there would be few matters in which the LEA had a day-to-day involvement needing to be identified as at present. The articles would still, though, need to indicate an appropriate role for the head teacher. For simplicity, it is suggested that there should initially be standard articles for each school. (It would be appropriate for these to require

the governors to hold an annual meeting at which they would account to the parents for their stewardship.) If found necessary in the light of local circumstances, these articles could be amended subsequently, subject to the Secretary of State's approval.

FINANCIAL MECHANISM

15. Each ECS school would be funded by its LEA through a number of "credits", the value of which would be determined for each financial year and paid by reference to the number of registered pupils at the school. It is for discussion whether this accounting arrangement would be supported by a piece of paper to underline parents' responsibilities and financial power over the schools. Credits would be based on actual pupil numbers rather than on last year's numbers so as to give maximum leverage to customer choice; this would help expanding schools but create some commercial uncertainty for all schools. It is for consideration whether, on the assumption that starting and leaving dates are staggered as at present, pupil numbers for credit purposes should vary termly or be some annual average.

COVERAGE OF CREDIT

16. From their credit income, the governors would be expected to finance all their recurrent expenditure (and a 15% element of any capital expenditure - see paragraph 27), namely expenditure on:-

- a. teaching and non-teaching staff (including any use of supply teachers from a pool maintained by the LEA, peripatetic teachers, school doctors, psychologists and all the costs of in-service training);
- b. books, equipment and other materials;
- c. in-school administration;

- d. any calls on the LEA's advisory services;
- e. maintenance and internal repairs;
- f. rents on accommodation leased since the school's foundation as an ECS establishment;
- g. rates and services;
- h. any subsidy of (other than free) school meals; and
- i. any supplementation of LEAs' minimum provision for school transport.

OTHER FINANCE AND ACCOUNTING

17. Governors should be free to supplement their income from other sources though no payments could be required of parents and there would be limits, if not an absolute bar, on commercial borrowing. Governors would need to satisfy the LEA that they had made proper arrangements for accounting and audit.

FLOAT

18. To provide a reasonable degree of independence in the face of commercial uncertainties, ECS schools would need to be given at start up a working balance which would also act as a buffer for unavoidably "lumpy" expenditure on, for example, major maintenance. This would be a one-off but significant addition to public expenditure.

LEA SUBSIDY AND TAKEOVER

19. If a school found it could not make ends meet, it would be open to the LEA to make a subsidy over and above normal credit income. The LEA would do so only if it was satisfied that there was good reason for keeping the school going in

this way. The LEA could be expected to make the subsidy subject to conditions which would limit the governors' managerial freedom. If the LEA considered the school had no prospects of survival as an ECS school it could either propose its closure (see paragraph 25) or reassume control of the establishment, subject to the school's right of appeal to the Secretary of State (which, if upheld, would have the effect of requiring the LEA to subsidise the school). In such cases, the LEA would be under a duty (from which the Secretary of State could grant relief at his discretion) to re-establish the school as an ECS establishment after, say, 5 years. The LEA would have a duty, subject to appeal to the Secretary of State, to take over a school which failed to meet minimum educational standards (see paragraph 43) unless, again, it wished to propose closure. It is envisaged that, in cases where the LEA reassumed control, the trust's powers to operate the school would be suspended, although the trust itself might remain in being.

Further work is needed on the trust implications of this, particularly as regards former voluntary schools which would hold the property (see paragraph 13).

LEA RESPONSIBILITIES

20. For that part of its school provision organised on ECS lines, the LEA would continue to be financially responsible for:-

- a. central administration on schools' matters, including credits for, and special subsidies to ECS schools, and supervision of minimum educational and financial standards therein;
- b. advisory services where these were used in support of the Authority's residual responsibilities;
- c. debt charges and rents where liability was incurred before schools became ECS establishments;
- d. pupil support in the form of educational maintenance allowances and clothing grants;

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e. free school meals (to be provided either by negotiation with a school or by making independent arrangements if the school chose not to provide meals);

f. some minimum provision of free school transport to the nearest suitable school broadly in line with present entitlements (further consideration needs to be given to the procedures to be followed if the nearest school had refused the child a place); and .

g. provision for the under 5s (see paragraph 45 below).

LEVEL OF CREDIT

21. Ideally, there should be standard values for the credit, varying only by reference to phase. However, unit costs presently vary widely not least because they are strongly affected by the size of the school. Even after making special provision for the random effects of historic capital and rents (paragraph 20c. above), many schools would find themselves in an impossible situation if immediately required to make substantial economies to bring their budgets to the level required to fit a standardised credit. Of necessity, the starting point must be each school's extant unit cost. The stated aim would be convergence, with the medium-term target of reaching a formula-based approach where standard credit values could be weighted by objective socioeconomic factors and other local variables such as school size. It is for consideration whether any LEA would be willing at the outset to commit itself to any particular formula or timetable for reaching this. At the least, however, it might be required to publish its intended general strategy in its structure plan.

22. Credit values would be fixed by the LEA for the financial year ahead. (Appropriate accounting arrangements would need to be made for the mismatch with the academic year.) Schools would be able to appeal to the Secretary of State about the credit value as determined. It would be worthwhile requiring the LEA to consult the governors before fixing the credit for their school.

23. Since the credit's value would vary school by school,

the numbers of pupils at which are fluid, the overall cost cannot be predicted precisely. Consequently, the LEA would have to fix and adjust its ECS budget in the light of the position school by school.

CHANGES IN PROVISION

24. Schools would start their ECS careers at their existing size, character and age range but it is implicit in the system that these should change over time in response to parental wishes. There are strong arguments for retaining arrangements on the lines of those currently in force under the Education Act 1980 whereby such changes would be subject to the approval of the Secretary of State with opportunities for objection by the LEA, other governing bodies and local government electors: these parties will be affected by and therefore have a legitimate interest in the way ECS governing bodies act. The Secretary of State would, in any case, need to be involved in approving the "significant" (appropriately defined) enlargement of schools and the establishment of new ones by voluntary bodies since he would need to be able to judge the implications for capital grant purposes (see paragraph 27).

25. Closures would arise where a school is failing and, perhaps because of falling rolls, the LEA concludes that it would be better for the school to close rather than be subsidised or taken over. The requirement of formal approval by the Secretary of State would subsume the inevitable right of appeal that governors would expect in such circumstances and also enable the extent of public support for the school to be gauged.

26. The Advisers take the view that significant enlargements financed without capital grant, and all changes of character, should not be subject to the suggested approval procedure since this seems an unnecessary derogation from the principles of self-management and self-determination on which the scheme is based. It seems to officials, though, that the potential effect on others requires such a procedure. If the governors

of, say, a secondary ECS school decide that, in future, its intake should be "grammar", this has the effect of turning other secondary schools into "secondary moderns". To take another example, if all the secondary schools in an area resolved in an uncoordinated manner to admit only "grammar" intakes, they could clearly not deliver and would have approached parents on a false prospectus. It would seem appropriate for changes of this sort which may narrow choice for the majority to be open to objection and for the overall pattern of provision in an area to be subject to the Secretary of State's control, within the limits of the proposals made.

CAPITAL GRANT

27. It would not be appropriate for the LEA to control the building programme for ECS schools. Capital funds currently channelled to schools via LEAs would, following appropriate changes in public expenditure provision, be replaced by an 85% grant available from the Secretary of State on the lines of grant currently paid to aided schools in respect of external repairs, capital work and expenditure on sites. (In the ECS governors would need to be responsible for necessary playing fields. In the case of aided schools, these are currently the LEA's responsibility.) For major projects, grant would flow automatically from the Secretary of State's approval of the project (see paragraph 25) subject only to satisfactory progress. Other grants would be at the Secretary of State's discretion, though the discretion would be minimal in the case of urgent repairs. This is a little tighter than the present regime for aided schools where the Secretary of State is under a duty to pay grant in qualifying cases; but it would make it easier to cash-limit capital grants.

28. Notwithstanding LEAs' distance from these capital arrangements, it would probably be necessary to require them to coordinate local bids for capital projects and, once approved,

to supervise their progress. Their present responsibilities would continue for non-ECS schools and, exceptionally, in the case of new schools in ECS areas where the schools or voluntary bodies were failing to keep pace with increased numbers (see paragraph 41).

BUILDING STANDARDS

29. It is assumed that the School Premises Regulations of 1981 prescribing minimum premises standards for maintained schools should apply to ECS schools. Existing schools are given until 1991 before they have to comply with the higher standards of the 1981 Regulations. Legislation would need to make clear that schools taking on ECS status were not new and did not, therefore, have to comply immediately.

TEACHERS

30. ECS schools would employ and pay their own teaching staff thereby accruing the benefits and responsibilities of being free agents in employment and deployment matters. As maintained establishments, the schools would continue to be bound by the general framework of the Teachers Regulations, including QT status. (There are problems to resolve about the handling of probation in ECS schools.) There would seem to be no difficulties on the superannuation front. Notwithstanding potential difficulties by reference to the position in non-ECS maintained schools in the locality or on any reversion of ECS schools to LEA control, governors would be free of the Burnham salary arrangements though it would be necessary to ensure that they could not pay teachers less than the Burnham minima.

31. Serious problems could arise on the creation of ECS schools. These could become the employers of existing staff in the way outlined above only by effecting a change in their contracts. Under present employment legislation, such a change if made

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without consent (and time would need to be allowed for re-negotiation) would amount to constructive dismissal, allowing remedy to be sought from industrial tribunals. The necessary process is likely to involve the re-negotiation of the LEA's existing agreements with local teacher associations, which could be a matter of some complexity. The only realistic option would seem to be to persuade existing teachers to transfer voluntarily. For this to succeed, teachers would need to be guaranteed at least as favourable terms as those currently enjoyed. Even so, success could not be guaranteed and some turbulence seems likely.

32. Problems will arise, too, for the ECS school that was contracting (owing to unpopularity or falling rolls) to the point where staff numbers had to be reduced. This could not be achieved by leaving any vacant posts unfilled without damaging the curriculum. Teachers might need to be made redundant which, as a general rule, achieves negligible savings in the first year. Mismanaged redundancies or other dismissals may give rise to further cost by successful challenge before industrial tribunals.

33. It would derogate too much from the governors' responsibilities to transfer such liabilities (and, in equity, final decisions) to the LEA. It might, though, be possible to mitigate some of the problems by amending the Employment Acts to create single employment fields in a participating LEA's area to cover both ECS and conventional maintained schools, though this would create other difficulties for ECS schools.

OTHER STAFF

34. Some of these issues arise also in connection with non-teaching staff.

ADMISSIONS

35. ECS schools would be entirely responsible for admissions except, in limited circumstances, for children who would otherwise have no school to go to (see paragraph 40) and those in need of special educational provision (see paragraph 49). The

need for parents' choices to be informed will remain: of particular importance will be schools' admission policies and the priorities they propose to adopt should the school be over-subscribed. There therefore seems no reason to disturb the general pattern of the Education Act 1980 on the publication of information, though the balance of information to be published by the LEA on the one hand and the schools on the other would need changing to reflect the new balance of responsibilities.

CLEARING HOUSE

36. Unless parents are to be put to what seems an unacceptable degree of trouble (by reference to the present arrangements) in applying and negotiating on an individual basis with all the schools available for their children, particularly as all admissions need to be settled during a relatively short period, there needs to be some clearing house arrangement. This would work properly only if all ECS schools were members and if its operation did not inhibit schools' freedom and enabled the parent to see that it was the individual school with which he was dealing.

37. In view of its knowledge of eligible children in the area and its long-stop responsibility for ensuring that these secured school places, the clearing house function would best be taken on by the LEA. It would, in any case, presumably be for the LEA to initiate the annual admissions round.

APPEALS ABOUT ADMISSIONS

38. It is envisaged that there would be no appeal for parents against an ECS school's decision not to admit their children. Parents would lose the appeal arrangements under the Education Act 1980 which applied for the first time in 1982. (In that year, one third of the 9000 parents who took their cases to

appeal were successful in securing places for their children that would otherwise have been denied them.) There would be a sharp contrast here between the localities organised on ECS and traditional lines.

39. Appeals machinery of the necessary independence, however, would erode ECS schools' autonomy to an unacceptable degree. It might be possible, though, for the LEA clearing house machinery to include some forum for attempts at conciliation between schools and parents, with a power to recommend a child's admission but without the ultimate power to require it.

SECURING COMPULSORY EDUCATION

40. In the case of a parent who was unsuccessful in securing a place at any school, the LEA would be empowered to require an ECS school which had vacant places (which would need careful definition) to admit the child. The LEA's role in the proposed clearing house operation would put it in a good position to monitor the need for this action and to be aware of the schools where places were available. Schools would be able to appeal to the Secretary of State against such imposed admissions.

41. Should all the ECS schools in the locality be full, the LEA would have to take up places in independent schools or make ad hoc arrangements. Before this point were reached, however, it would have perceived the impending shortage of places and have taken the initiative in establishing a new ECS school. If the likely shortfall of places were small, the LEA's first step would presumably be to encourage existing schools to expand as necessary.

42. The present machinery of school attendance orders would continue to apply in the case of children whose parents kept them out of school without making suitable arrangements for their education. In the absence of local appeal arrangements

in ECS area, any disputes about the school to be named in the order would in the first instance be between the parent and the school and would be determined by the LEA. The Secretary of State would be involved if the school wished to appeal against the imposed admission (see paragraph 40).

CURRICULAR STANDARDS

43. The responsibility for general curricular policy would in effect be lodged with ECS schools. The LEA's role would be to ensure that minimum standards were met, with appropriate assistance from its own advisers and H M Inspectorate (both of which would need to be expanded). Arrangements would need to be made to ensure that LEAs retained the necessary professional and practical expertise to discharge their functions. In the last resort, LEAs could assume the management (see paragraph 19) of ECS schools that fell short of the criteria which, for the first time, would need to be expressed and promulgated in a concise form though, as far as possible, avoiding narrow prescription. This would be a difficult task. ECS schools' autonomy would make much more difficult the transmission of Government policy for the school curriculum and in-service training.

RELIGIOUS EDUCATION

44. The 1944 Act's exceptionally detailed provisions regarding religious education would remain. Briefly, these would enable only former voluntary schools to provide a denominational religious education. Former county schools could provide it only in accordance with a syllabus "agreed" under the continuing aegis of the LEA.

PROVISION FOR UNDER 5s

45. ECS schools would in principle be free to decide whether to cater for under 5s. But if the school wished to discontinue nursery provision, the Secretary of State's approval would,

as now be required. Where the LEA wished under 5 provision to be made in an ECS school, this would, if the school agreed, be financed by direct grant from the LEA rather than a pupil-related credit. If an LEA offered no such grants, schools would be free to offer provision for the under 5s, free of charge, provided this did not detract unacceptably from provision for its other pupils. In an ECS area, the LEA would not necessarily be able to provide the pattern of under 5 provision it desired. It might, for example, be driven to provide much more expensive free-standing nursery schools.

16-19s

46. While there is no current duty to provide education for the under 5s (except for certain children with special needs) there is such a duty in respect of 16-19s though it is open to an LEA to discharge its duty either in schools or in FE.

FE would fall outside ECS proposals but 16-19 provision in schools could not realistically be divorced from the ECS method of financing. There would need to be effective coordination of provision in both schools and FE for the needs of 16-19s in an area. This strengthens the arguments for some approval mechanism for ECS governors' change of character proposals (see paragraphs 24-26).

47. It will also be important to ensure that there are no financial disincentives either on the part of an ECS school or the LEA to the link courses which enable a school to broaden its curriculum (including that for pupils under 16) by using the facilities of a nearby FE college. This issue requires further exploration.

48. If Ministers wished to give ECS schools added flexibility provision in ECS schools for pupils over compulsory school age would not have to be full-time as now. Such part-time pupils would need appropriately reduced value credits.

SPECIAL EDUCATION

49. Special schools would fall outside the scope of the ECS, and no amendments to the general pattern established by the

Education Act 1981 is envisaged. But although it would be open for children who are the subject of a statement on their special educational needs to be admitted to ECS schools, this would have to be by negotiation between the LEA and the schools. To secure the placement it thought right in the pupil's interest, the LEA would have to enhance the value of the credit in respect of the child. The LEA might need a power to compel admission, subject to appeal by the school, on the lines proposed in paragraph 40.

50. Similar problems would arise in relation to the 15 per cent or so of children who have special educational needs but are not the subject of statements and who now are, and ought to be, educated in ordinary schools. It is open to question whether any specially enhanced credit would be sufficient to encourage ECS schools to admit such children voluntarily or whether necessary placements would normally be by LEA direction (see paragraph 40).

51. The general effect of the ECS arrangements for children with special educational needs will very much depend on the readiness and ability of the parents to identify and secure in their dealing with schools the provision most suited to their children's needs. The intentionally stronger competition for places in the ECS is unlikely to lead to any expansion of the present fairly limited opportunities for this group.

PUPILS FROM NON-ECS AREAS

52. It would be a significant reduction of the freedom of access to maintained schools given by the Education Act 1980 if the introduction of ECS in an area meant that parents from outside (even if still in the same LEA area) could no longer seek admission to the school involved. By the same token, parents in the ECS area should continue to be able to opt for schools elsewhere. There is, however, no reason why the maintaining authority could not offer credits to ECS schools in respect of every child admitted, regardless of his home address. (A problem would arise only if it was desired to

use tangible vouchers.) Where the child belongs to the area of another authority, the cost of the credit would be recouped by the maintaining authority from his home authority in the ordinary way.

CHURCH (AND OTHER VOLUNTARY) SCHOOLS

53. Existing county schools would have no say in whether or not to join ECS: this would be settled by the LEA. It is unlikely, however, that the Churches and other voluntary bodies would accept the imposition of such a decision in respect of their schools and it seems inevitable that the decision whether or not to take ECS status should rest with individual voluntary schools. It is open to doubt how far voluntary schools would perceive the greater autonomy available to them under ECS (aided schools already have considerable power in respect of premises, the appointment of staff, admissions and the curriculum) as worth the uncertainty of operating in a quite new way together with the risks to them and their trusts should they fail in the new situation. It is thus likely that there would be several non-ECS maintained schools operating in an ECS area.

INVOLVEMENT OF THE SECRETARY OF STATE

54. As indicated in this paper, there would be new roles for the Secretary of State in the proposed ECS. It is envisaged that he would also retain the duty under section 67 of the Education Act 1944 to settle disputes between LEAs and governors and also keep the power to intervene under Sections 68 and 99 of the Education Act 1944 to remedy default or prevent the unreasonable exercise of functions on the part of LEAs or schools. The number of disputes and complaints referred to the Secretary of State seems likely to be greater under ECS because of the high financial stakes involved. Parents' loss of local admissions appeal machinery coupled with greater autonomy in this area for ECS schools seems bound to lead to a greatly increased number of complaints from disappointed parents. All such cases would need to be resolved quickly.

SPECIFIC GRANT

55. For the most part, an LEA's expenditure on maintaining schools through education credits would continue to be met from both its rates and central government RSG. There would, however, be additional costs consequent on a move to ECS.

The most obvious is the substantial start-up cost of the float for individual ECS schools (see paragraph 18). It would be difficult for the RSG machinery adequately to compensate LEAs for this and it would be better met mainly (if not wholly) by a new specific grant. There would also be the frictional costs of initial redundancies of staff unwilling to transfer into ECS arrangements. It is also arguable that at least initially, an ECS system would be more costly than the traditional arrangements when tightly managed. It would be inappropriate for the extra cost of so controversial an experiment as the ECS to result in less grant being received by other authorities through the normal RSG machinery. This extra expense would be an appropriate call on specific grants (which would need to be presented as "new money") for some years. The scope of the specific grant making power would need to be closely defined in the legislation. It is unlikely that LEAs could see the specific grant as an inducement to opt for ECS, but are likely to regard it as a necessary concomitant.

COSTS AND MANPOWER

56. Further work would need to be done before a reasonable estimate of the additional costs of operating ECS in a representative area could be made. A significant part of this would be on manpower:-

- a. in the schools, principally for administration (and DES limited experience in these matters casts doubts on whether sufficient competent bursars can be found);
- b. in LEAs where reduced functions in some respects seem likely to be more than offset by increasing action

in other areas, particularly on the advisory and monitoring front (where, again, there could be difficulties over recruiting appropriately qualified people);

c. in HMI in devising and monitoring more specific standards (and recruiting staff of the appropriate ability could pose problems); and

d. in DES consequent on the additional roles proposed for the Secretary of State, particularly as these would need to be discharged very promptly.

LEGISLATION AND TIMING

57. Although many features of the existing arrangements would continue in ECS, it must be seen ^{for} what it is, namely, a complete alternative school education system. The necessary legislation will be consequently complex and take time to prepare. The legislation itself would seem to be highly controversial both within and outside Parliament. If, on enactment, there were LEAs wishing to avail themselves of the alternative and ready to make proposals which commended themselves to the Secretary of State, there would be a number of processes (particularly concerned with the setting up of the necessary trusts) to be completed. Two to three years after enactment would be needed before ECS schools could begin to operate. There is likely to be strong criticism of the availability of finance for the frictional difficulties of introducing the entirely novel ECS arrangements, instead of channelling additional resources into already identified areas of educational need.

There could also be controversial comparisons between the other arrangements on offer for potential ECS schemes and those in force for traditionally organised areas.



10 DOWNING STREET

From the Private Secretary

29 March 1983

PERSONAL

Dear Ivanova,

The Prime Minister held a meeting at 1000 today to discuss your Secretary of State's paper of 25 March on wider parental choice. In addition to your Secretary of State, the Chancellor of the Exchequer, the Secretaries of State for Employment and the Environment, the Chancellor of the Duchy of Lancaster, Mr. Gregson and Mr. Mount were present.

Your Secretary of State said that his latest paper took into account the comments made at the MISC 91 meeting and the meeting on 8 March which had considered his paper on a radical voucher scheme. The paper had returned to the concept of a two-limbed scheme originally advanced in his MISC 91 paper. The first limb of the scheme was designed to increase access to the independent sector by means of a voucher or fee-remission scheme. If the Group wished to go ahead with that limb it would have to resolve the questions of whether the voucher should be nationally or locally available; whether it should be means-tested or taxed; and at what level the voucher should be fixed. There were two variants of the second limb which was directed at the maintained sector. The first which was essentially a development of that in the MISC 91 paper envisaged a bargain between the Department of Education and Science and local education authorities designed to secure a more effective system of open enrolment and greater budgetary control for schools. The second variant which had been devised by the Special Advisers went further towards the concept of the voucher. Under that variant each maintained school in a participating LEA would become an independent legal entity such as a Trust whose income would be derived from a voucher in respect of each of its pupils. The value of the voucher would vary between and within LEAs to ensure that the principle of free education was not breached. LEAs would continue to retain a residual role in respect of unpopular and special schools. This proposal would require, if the Group so chose, considerably more work before its viability could be confirmed.

In a general discussion of the paper the meeting agreed that the essential element in all the proposals which had been discussed in MISC 91 and at the previous meeting of the Group had been the need to widen parental choice and to give parents an effective voice in the management of schools. To an extent the terminology of vouchers tended to obstruct that aim; it would be preferable to refer in future to a system of credits.

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In discussion of the first limb of the scheme, that directed towards the independent sector, it was argued that whatever the merits of enabling more parents to make sacrifices to send their children to public schools, the scheme would inevitably be criticised as subsidising such schools at the expense of the maintained sector. Given the criticisms made of past proposals by, for example, the One Nation Group, this might well be an insuperable obstacle to the successful presentation of the scheme.

On the first variant of the second limb which envisaged a bargain between the DES and LEAs it was argued that such a scheme would produce very few real gains for parents. Moreover there were considerable doubts about the proposal for an annual meeting of parents: such a meeting might well be the vehicle for small unrepresentative groups of parents to gain effective political control of schools at the expense of the interests of pupils. The scheme generally gave the DES greater powers to influence LEA standing which in itself was not undesirable; it did not however contribute sufficiently to the central objectives of widening parental choice.

In discussion of the second variant of the second limb, that proposed by the Special Advisers, it was argued that there might be few local authorities willing to participate in a scheme which took away many of their powers which might mean that the scheme had to be imposed. Moreover while the proposal gave much more responsibility to schools themselves, parents would lose the right to appeal against a refusal by a school to accept their child. It was noted however that this was already the case with voluntary aided schools. It was also argued that the Advisers' scheme would create instability; LEAs would opt in and out of the scheme with changes in political control and schools would hover on the edge of viability. To some extent however the latter was already the case but was concealed in the system of financing such schools.

In further discussion of the Advisers' scheme it was argued that if offered a real opportunity to build on the concept of the voluntary aided school. The scheme would require a new concordat with the churches but this should not be impossible to achieve. Moreover the scheme would give real power to consumers of education in the sense that a school's income would be founded on its ability to attract pupils; the school would receive credits depending on the number of its pupils. The proposal in the Advisers' scheme that the value of the credit should vary between and within local education authorities in order to match variations in unit costs between schools might cause difficulty, although outside London these variations were considerably less. There were also a number of possibilities for avoiding such variations. For example the most variable element in unit costs - that of building maintenance - could be met directly by the local education authority possibly under a leasing arrangement. It was also important to ensure that schools did not have an unrestricted ability to reject pupils, especially in rural areas. Although there were a number of problems which remained to be resolved, the meeting agreed that an approach of this kind merited the further study envisaged in the paper by the Secretary of State for Education and Science.

The Prime Minister, summing up the discussion, said that the meeting was agreed that the first priority should be to devise a scheme to widen parental choice in the maintained sector. Action

On relation to the independent sector might follow at a later stage although in the interim some modest expansion of the Assisted Places Scheme in its existing form need not be ruled out. In relation to the maintained sector, the Secretary of State for Education and Science should do further work with the help of his informal group of Ministers and Special Advisers to devise a workable scheme, taking as its starting point the proposals made by the Advisers, and the points made in discussion. In particular the term "voucher" should be dropped in favour of "credit" and the proposals should be based on existing familiar concepts such as that of the voluntary-aided school. The Secretary of State should aim to report back to the same gathering of Ministers by the end of May.

I am sending copies of this letter to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment), David Edmonds (Department of the Environment), Alex Galloway (Office of the Chancellor of the Duchy of Lancaster) and Mr. Gregson. I should be grateful if you, and all other recipients of this letter, could ensure that this letter is neither copied nor circulated outside Private Offices.

Yours ever,

Tim Flesher

(Timothy Flesher)

Mrs. Imogen Wilde,
Department of Education and Science

SECRET

The Prime Minister, summing up the discussion, said that the meeting was agreed that the first priority should be to devise a scheme to widen parental choice in the maintained sector. Action in relation to the independent sector might follow at a later stage although in the interim some modest expansion of the Assisted Places Scheme in its existing form need not be ruled out. In relation to the maintained sector, the Secretary of State for Education and Science should do further work with the help of his informal group of Ministers and Special Advisers to devise a workable scheme, taking as its starting point the proposals made by the Advisers, and the points made in discussion. In particular the term "voucher" should be dropped in favour of "credit" and the proposals should be based on existing familiar concepts such as that of the voluntary-aided school. The Secretary of State should aim to report back to the same gathering of Ministers by the end of May.

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PRIME MINISTER

Wider Parental Choice

BACKGROUND

A
At your meeting on 8 March the Secretary of State for Education and Science presented a paper dated 18 February setting out a radical voucher scheme under which: every parent would receive in respect of every child aged 5-18 a non-taxable voucher; most schools in the maintained sector would become independent cost centres financed by vouchers; and local education authorities (LEAs) would be left only with minor administrative tasks and with the residual task of providing some schools (eg special schools) which could not be financed by the voucher system. The meeting rejected that scheme on a number of grounds: that it would provoke widespread political hostility; that it would be prohibitively expensive because of the need to fix vouchers at a level which would both ensure the viability of most schools and preserve the principle of free education; and that it might not in practice do much to widen parental choice.

B
2. The Secretary of State for Education and Science therefore undertook to look again at a two-limbed scheme of the kind discussed by MISC 91 on 2 February (MISC 91(83) 1st Meeting), with a first limb designed to increase access to the independent sector and a second limb designed to foster the widening of parental choice in the maintained sector by financial incentives to LEAs. Such a scheme would be open to LEAs who wished to take advantage of it. By comparison with the original two-limbed scheme discussed by MISC 91, it was proposed that there should be more emphasis on the budgetary independence of schools and more scope for parental pressure to improve schools. There was also a feeling that it would be more acceptable to get away from the terminology of vouchers and to present any changes as having evolved from existing concepts such as the Assisted Places Scheme.

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C
3. The Secretary of State's paper of 25 March now puts forward for consideration two alternative versions of a two-limbed scheme:

i. The first variant is set out in Annex A (independent sector limb) and Annex B (maintained sector limb). It is in effect a development of the original proposals put to MISC 91. Under the maintained sector limb it is now proposed to use the leverage of a 75 per cent specific grant not only to finance expansion of popular schools but also to press LEAs to improve unpopular schools, give schools greater budgetary freedom, and give parents a bigger say in the running of schools. This is a gradualist approach in which the terminology of vouchers need not be used. The Secretary of State regards this variant as technically feasible and worthwhile.

ii. The second variant is set out in a paper by the Special Advisers at Annex C. In respect of the independent sector limb the proposals are not very different from those in the first variant, except that the Special Advisers have a preference for introducing it on a local rather than a national basis so as to dovetail more closely with their proposals for the maintained sector. In respect of the maintained sector, the Annex C variant retains some but not all elements of the radical voucher scheme rejected at your meeting on 8 March. Where an LEA chooses to experiment under the scheme, each maintained school would become an independent legal entity such as a trust. There would be a voucher in respect of each child of school age. To deal with the fundamental problem of variations in unit cost, the value of vouchers would not only vary for each LEA, but the LEA would have the power to treat a ^{voucher} / as having more or less than its face value depending on the circumstances of each school. Although the bulk of the LEAs' resources for education would be allocated to vouchers in this way, it would retain a discretionary fund for certain purposes. The Secretary of State sees some political difficulties about this variant and also suggests that further study is required to find out whether it is workable.



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MAIN ISSUES

4. The most important area for discussion is that relating to the maintained sector which accounts for 95 per cent of pupils. You will probably therefore wish to concentrate on the issues relating to the maintained sector, and deal with the issues relating to the independent sector in the light of the earlier discussion. The main issues are therefore as follows:

- i. In relation to the maintained sector, is the more gradualist (Annex B) approach preferable, or should further work be done to explore the feasibility of the more radical Annex C approach?
- ii. In relation to the independent sector, is the approach at Annex A preferable to the alternatives of expanding the Assisted Places Scheme, or reviving the direct grant scheme?
And, if so, should the scheme be introduced on a local or national basis and should it be taxable or means tested?
- iii. What should be the next steps and the timetable?

The maintained sector

5. In comparing the more gradualist Annex B and more radical Annex C approaches, the meeting will wish to assess them under the following criteria:

- which is more likely to do most to widen parental choice and improve standards?
- which is likely to attract more willing volunteers from the LEAs?
- which is likely to be more acceptable politically?



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6. When MISC 91 considered the earlier version of Annex B on 2 February, there were doubts about its effectiveness. The 75 per cent specific grant was essentially to permit LEAs to expand more popular schools. There are however physical limits to the feasible expansion of such schools. The scheme was therefore criticised because it did not do anything to improve unpopular schools. The new version seeks to answer this criticism and to take account of the points made on 8 March by using the specific grant as a lever to secure various objectives (improving poor schools, more budgetary freedom etc) which are set out on page 2 of Annex B. It is also envisaged that there would be legislation to require the governing body and head of every maintained school to convene an annual meeting to which all parents would be invited and would be entitled to pass resolutions which the LEA, governors and head would be required to consider. It would no doubt be possible to take this approach further by introducing additional conditions which an LEA would be required to meet before gaining access to the new 75 per cent specific grant. The meeting will need to consider whether proposals on these lines would go far enough and be effective in widening parental choice and improving standards.

7. The version proposed by the Special Advisers at Annex C starts from the concept of a pure voucher scheme but very substantially dilutes this concept by making the value of the voucher variable from school to school. The result is that the parent retains in practice a free place at the school to which his child goes and the financial viability of schools is largely preserved. The meeting will however wish to consider whether the result of these changes has been to preserve merely the shadow of a voucher scheme without doing much to widen parental choice. Annex C argue that there would be "a general enhancement of the power of parents to affect the education of their children and an increased devolvement of responsibility to individual schools". It suggests that an important effect of the scheme would be to enable each voucher school to determine its admissions policy and thus to encourage the development of more variety of schools (academically selective, single sex, religious, etc). It is not clear however how far parents would in practice be able to take advantage of the resulting greater variety. The Secretary of State argues that parental rights and choice would in fact be diminished and that there would



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be difficulty in reconciling the independence of the schools under the proposed voucher regime with the continuing responsibilities and duties of the LEAs. The meeting will need to consider whether it shares these concerns.

8. It is common to both the Annex B and Annex C versions that they are permissive schemes and need to attract volunteer LEAs with the incentive of the 75 per cent grant. In Annex C the Special Advisers argue that some LEAs might be willing to join their proposed scheme because LEAs in various parts of the country are now expressing interest in the possibility of making schools more nearly self-managing; and because some Conservative LEAs expressed interest in the original two-limbed scheme, although that was less radical than Annex C. In his covering paper the Secretary of State argues that it is open to doubt that the government would find LEAs willing to change to a scheme on the lines of Annex C which would deprive them of many of their existing powers. He is also concerned that an LEA which had opted to adopt an Annex C scheme might opt out on a change of political control. If the meeting concludes that Annex C is much less likely to attract volunteer LEAs than Annex B, that would be a powerful argument against Annex C. There would be little point in introducing legislation to permit experimentation unless there is a reasonable chance that some experimentation will occur.

9. Finally, the meeting will need to compare Annex B and Annex C in terms of their political acceptability. The Secretary of State argues that Annex C would entail substantial changes in the 1944 Act and the political and religious settlement which underlies it, that the necessary legislation would provoke strong opposition, and that the Parliamentary effort might prove disproportionate to the take-up.

Independent sector

10. The first question about the independent sector limb is whether a new scheme is required as opposed to other approaches such as reviving the Direct Grant list, or expanding the Assisted Places Scheme. In paragraph 9 of Annex A the Secretary of State argues against trying to revive the Direct Grant Scheme on the grounds that schools would be unwilling to make



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themselves dependent wholly or mainly on direct government subsidy because of the risks of political change. He argues against a mere expansion of the Assisted Places Scheme on the grounds that this is too limited. It is restricted by primary legislation to the secondary sector only. It is also designed to meet the narrow objective of making places available in a restricted number of independent schools of high academic reputation to bright pupils from poorer families. It is not designed to meet the broader objectives of promoting expansion of the independent sector or of giving parents generally the opportunity to choose between the independent and the maintained sectors.

11. If the meeting concludes that it wants a scheme which goes much further than the existing Assisted Places Scheme, the proposals in Annex A will then need to be examined. One approach, preferred by the Special Advisers, would be to have vouchers available for use in independent schools in those LEA areas which have chosen to adopt vouchers for the maintained sector. An alternative approach would be to make assistance with independent school fees available nationally. It would not be necessary to issue vouchers to parents and the government could, if it wished, operate a fee-remission scheme with participating schools. The meeting will need to consider whether it prefers the local or national variant and whether it prefers the mechanism of vouchers or fee-remission.

12. Any proposal for widespread assistance with independent school fees faces the problem of the "deadweight" cost of those who already use the independent sector. This cost can be limited by making the assistance taxable or by applying means tests of various degrees of steepness. An important policy consideration is whether some assistance should be available for all parents, however rich. Depending on the choice made, the deadweight cost could vary, between £60 million and £330 million a year on a national basis (see paragraph 7 of Annex A). The meeting will need to consider how far it is prepared to allow resources to be used merely to assist those already in the independent sector.



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Next steps and timetable

13. The next steps and the timetable will depend crucially on the view taken by the meeting about the preferred approach for the maintained sector. If the meeting is inclined to favour the Special Advisers' Annex C scheme, there would need to be further study to explore its technical feasibility and we understand that this would probably take at least two months. It would probably also be sensible to bring the results of the study back to a small informal meeting under your chairmanship rather than to MISC 91 or some wider forum. If however the meeting favours a more gradualist approach on the lines of Annex B, and also reaches some conclusions about the main policy points relating to the independent sector in Annex A, it would be possible, if you wished, to plan for a discussion in MISC 91 soon after Easter with a view perhaps to some announcement or Green Paper in the early summer.

HANDLING

14. You will wish to ask the Secretary of State for Education and Science to introduce his paper. All those present are likely to wish to contribute.

CONCLUSIONS

15. You will wish to reach conclusions on the following main points:

- i. in relation to the maintained sector, is the more gradualist (Annex B) approach preferable, or should further work be done to explore the feasibility of the more radical Annex C approach?
- ii. in relation to the independent sector, is the approach at Annex A preferable to the alternatives of expanding the Assisted Places Scheme, or reviving the direct grant Scheme? And, if so, should the scheme be introduced on a local or national basis and should it be taxable or means tested?
- iii. what should be the next steps and the timetable?

PLG

P L GREGSON

PRIME MINISTER

WIDER PARENTAL CHOICE

Keith now offers two schemes to the small Ministerial committee. I'll call them the DES Scheme and the Advisers' Scheme, because that's what they are.

The DES Scheme (Annex A plus Annex B) is virtually a re-run of the scheme originally proposed to MISC 91. Limb One offers vouchers to parents choosing the independent sector. Limb Two offers government grant to LEAs which expand popular schools by means of open enrolment. The only addition (paragraph 5) is an Annual Meeting at which the LEA, governors and head would be required to give an account of their stewardship to the parents.

Taken separately, these ideas are very worthwhile. But, as MISC 91 agreed, they don't hang together as a fair or politically acceptable scheme. The vast majority of parents who would remain in the state sector would receive little noticeable benefit. Labour could still say "The Tories are subsidising private schools with your money and leaving the state schools to rot". And there is not much increase in accountability of schools to parents.

Advisers' Scheme (Annex A plus Annex C). Our scheme keeps much the same voucher system for the independent sector (Annex A).

But for the state sector, we propose (Annex C) a far stronger measure of decentralisation of power to schools and parents. Under our scheme, virtually every maintained school would have at least as much independence as the present voluntary-aided schools.

As with the original MISC 91 scheme, the Government would offer a financial inducement to LEAs to join the scheme. Thus the scheme - like most significant reforms in British education - would be gradual and piecemeal.

Maintained-voucher schools would become self-managing charitable trusts. Only a minority of the governors would be appointed by LEAs. The schools would hire and fire the teachers and do their own accounts.

The LEA would retain a discretionary fund and considerable powers in order to carry out its duties under the 1944 Act to "secure that there shall be available for their area sufficient schools . . ."

But the LEA would own and manage only special schools and any maintained-voucher school that had got into financial difficulties.

In paragraph 9, Keith's officials raise their doubts. Our answers are as follows.

1. Would enough LEAs volunteer? Quite a number of LEAs expressed serious interest in the MISC 91 scheme. Others are already beginning to experiment with schools as decentralised budget centres. Naturally, the first volunteers would probably be Tory (Kent, Solihull, Birmingham etc) but if "power to the parents" was seen to improve schools, others would follow fast. As for the churches, we would naturally negotiate to make sure that our proposed arrangements were agreeable to them.
2. How do you reconcile the independence of the voucher system with the continuing duties of the LEA? This would be no more difficult than it has been with the voluntary-aided schools for 30 years. British universities too are robustly, sometimes cussedly, independent. Yet they are largely, often totally dependent upon public money.
3. Won't vouchers actually restrict parental choice by taking away the right of appeal? Increasing parental control over schools is the most direct way of improving parental choice of schools. Our 1980 Act can only be a modest addition to parental choice, so long as the schools are predominantly controlled by the LEA.
4. The new system will be unstable. The allegation that LEAs might zigzag in and out of the scheme at each change of political control applies just as much to the present system.

Are we to say that we can never correct Labour's mistakes for fear that they will alter them back again? This is the socialist ratchet with a vengeance.

In any case, we can attach a five- or ten-year contract to the bargain between the LEA and the school. Short of fresh primary legislation, the LEA could legally be bound to the bargain.

Where would we find enough governors of the right quality in inner cities? This typical paternalist argument would imply that working-class areas are incapable of running anything from a district council to a darts club. It should also be pointed out that we say a majority of the governors should be elected by the parents not from among the parents. It would be open to the parents to choose the local bank manager, vicar, youth club leader, British Legion secretary or, indeed, anyone else they fancied from within or outside the catchment area.

6. Does not all this involve substantial changes to the 1944 Act and the political and religious settlement which underlies it? Yes, the letter of the law would need changing, but we would be reviving the spirit of the 1944 Act which has been deceitfully eroded by the politicisation of education and by the gradual nationalising of Church schools. ILEA, for example, is now beginning to squeeze out Church and single-sex schools. Under the voucher scheme, the parents would prevent this.

The 1944 Act gave the LEA a duty to respect parental wishes, a duty to provide variety of instruction and training, and a power to pay for children to attend independent schools; it also specified the appointment of governors in county as well as in voluntary schools. All these vital provisions have been allowed to rust over the years; the Advisers' Scheme would shine them up again.

Further Action (Keith Joseph's paragraph 10)

- (i) We suggest that Limb One (the independent schools Limb described in Annex A) should be endorsed. And that the DES should resolve with the Treasury the question of whether the voucher should be taxed or means-tested and at what level. We should leave open the possibility of applying the scheme nationally as well as in areas where the LEA was willing to operate it.
- (ii) We suggest that the Advisers' Scheme (Annex C) should be worked up for submission to MISC 91 by the end of April. The work might be undertaken by a joint group from the DES, the Treasury, DoE, Employment and the Special Advisers. The group might be chaired by David Hancock or, if the Cabinet Office is preferred, by Peter Gregson.



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

CC NAT HEALTH:
Nurses Pay: Pg 2

Timothy Flesher Esq
Private Secretary
10 Downing Street
London SW1

28 March 1983

Dear Tim,

Thank you for your letter of 17 March, enclosing this one to the Prime Minister from Baroness Cox.

Baroness Cox's letter covered three matters: the funding and activities of students' unions, examination results, and the proposed Review Body for Nursing and Midwifery Staff. I attach a draft reply covering the first two; the last matter is for DHSS and I agreed with your correspondence section that they should submit their part of the draft reply direct to you in order to prevent delay.

Yours ever
Stephen.

STEPHEN WILLIAMS
Private Secretary

Thank you for your letter of 16 March.

I share your concern about the situation at the Polytechnic of North London; so does Keith Joseph as you know. He has made his view plain to the CNAA (to whom Miss Jeffery addressed her complaint); they intend to mount an enquiry.

On the question of student unions, I agree that we have seen recently a number of disturbing examples of political activity. However, I am afraid that student unions cannot accurately be described, in the normal sense of the term, as closed shops. They are integral parts of their parent institutions and their constitutional position is defined in Articles of Government - or of Association in the case of London polytechnics - and the rules made under them. Under these Articles the ILEA cannot be prevented from earmarking sums in aid of union functions and Keith has very little power to intervene. Indeed his predecessor's announcement of the new funding system (which did not incidentally require legislation) acknowledged that it could be appropriate for local authorities to be concerned in the question of allocation. He is, however, currently considering whether it is open to him to write to the authorities of the Polytechnic of North London pointing out that, although they do not control the funding of their students' union, they have a responsibility under the Articles of Association to ensure that the monies made available to it are spent in ways consistent with its charitable status.

The use made by students' unions, however, of the public funds allocated to them has been the subject of a number of complaints, all of which are carefully investigated. Keith is in fact currently pursuing a complaint by the Federation of Conservative Students about the activities of the students' union at Bradford University which could give rise to further advice being given to institutions generally on the conflict between certain activities of students' unions and their charitable status. Not all unions have such status, although those of the London Polytechnics do. I realise that some of the public money made available goes on sabbatical officers with the

consequences in many cases which you describe. I know that Keith
is considering the options.

I am glad to be kept in touch with the progress of the NCEA's research
on examination results. I know that Keith Joseph and Rhodes Boyson
look forward to seeing what the Council's report has to say.

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Leisure Project:
Thea Cox BSc (Econ) MA
01 351 2488 Ex 2594/2595

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Sarah Robinson BSc
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Chelsea College

University of London
Department of Nursing Studies

Nursing Education Research Unit
Director: The Baroness Cox

Manresa Road, London SW3 6LX
01 351 2488 Ex 2595/2372

16th March 1983.

Dear Prime Minister,

First, I would like to thank you very much for inviting me to lunch last Sunday and for giving me the opportunity to participate in the discussion on various aspects of education.

I still feel very concerned about the situation at the Polytechnic of North London. I hope that the measures being proposed will prove effective. The subversion is so insidious, the staff are so entrenched and the supporting networks are so mutually reinforcing that it will require very thorough, skilful and persistent investigation and follow-through to achieve a solution. On the question of student union activity: I must repeat the point I made on Sunday - that the legislation already introduced is having NO effect on colleges like the Polytechnic of North London, nor will it ever do so while bodies like the ILEA have the power to allocate the grant given to Student Unions. At the Polytechnic of North London the Student Union is as well financed as ever, with most of the £180,000 of public money being spent on six full-time Union Officers - typically revolutionary socialists - and their political activities. I would like to repeat the view, held by all the members of the Centre for Policy Studies Education Study Group, that voluntary membership (with a proportion of money earmarked for student facilities) will be the only effective means of destroying this closed shop in places where it is doing most damage. We could provide more information on this if it would be helpful, including details of the continuing disruption at the Polytechnic of North London.

The Report of the National Council for Educational Standards research project on examination results should be ready for publication within the next few weeks. We hope that it will provide powerful ammunition for debate on such matters as educational standards, diversity of schooling, freedom of choice, expenditure and pupil/teacher ratios.

/Continued...

Finally, you asked me to let you have a note on the proposed Review Body for Nursing and Midwifery Staff. I attach this on a separate sheet.

Thank you again,

Yours sincerely,

Cawin Co.

The Prime Minister,
10 Downing Street
London S W 1

CONFIDENTIAL COMMENTS

ON

CONSULTATION DOCUMENT: REVIEW BODY FOR NURSING AND MIDWIFERY STAFF.

1. At present, the morale for nurses and midwives is generally very low. Many bore the brunt of trying to maintain essential services for patients during recent months when other health care staff were on strike. They are also having to adjust to yet another reorganization. And salary levels for well qualified and highly experienced staff, including those with demanding clinical responsibilities, are still low in absolute and relative terms.
2. They were pinning their hopes on the establishment of the Review Body which, it has been suggested, would be comparable to that which was set up to determine doctors' and dentists' pay. They hoped that it would recognise as a special position their principled refusal to take industrial action and that it would take fully into account their professional qualifications and responsibilities.
3. The Consultation Document which has recently been released is a bitter disappointment. The main source of anger is the inclusion of unqualified staff: auxiliaries and assistants. In this it is fundamentally different from the doctors' and dentists' Review Body. The reasons for dismay include the following:
 - a) The overriding concern of the profession is the provision of the highest possible standards of nursing and midwifery care. Currently, much thought is being given within the profession to ways in which promotion and remuneration should be based on the principle of accreditation. In other words, increased remuneration will be given only when it is merited in terms of qualifications and experience. The whole emphasis is on providing the best possible professional service to patients and to the community.
 - b) The government's proposal that the Review Body's remit will include staff who have no formal qualifications undermines and detracts from this basic principle. While no one would belittle the value of the contribution made by auxiliaries and assistants, it must be recognised that they do not form a part of the professional nursing team in terms of qualifications and responsibilities. To include these staff in the same Review Body would inevitably confuse and dilute discussion of the position of qualified nurses and midwives.
 - c) It is deeply regretted that the government did not present the possibility of inclusion of unqualified staff as an option for discussion. To have distributed the Consultation Paper with terms of reference which explicitly incorporates them is very unfortunate. The unqualified staff tend to be members of the large public service trade unions and many people feel bitter about the fact that they have tried to bask in the reflected glory of the professional nurses' moral stance. For example, the offer by militant trade unionists "to go to prison for the nurses" during the recent industrial disputes infuriated many nurses who were striving to maintain essential services to patients in conditions which were made extremely difficult by those very same people.

- d) If the proposed Review Body does include unqualified staff in its terms of reference, this will be seen as a betrayal by government of its commitment to give nurses and midwives their own Review Body. And it certainly does not meet the condition that it "should follow the same general pattern as the Doctors' and Dentists' Review Body"- one can hardly imagine that Body including other unqualified health care workers in its remit!
- 4. Therefore, I suggest that the government has a moral obligation to set up a Review Body on the terms as they were originally understood by the profession, and in a way which is consistent with its own promise of comparability with that established for Doctors and Dentists. If it does this, it will hearten and reassure a large group of dedicated and principled people who deserve no less. If it fails them in this, it will bring further demoralisation to an already hard-pressed profession, which has set an example to the nation in its principled refusal to take industrial actions which would harm those who are vulnerable.
- 5. In political terms, the significance of the nursing and midwifery profession should not be underestimated: it includes nearly half a million people, and has the affection and support of the general public. A mark of government appreciation would be very popular; a policy which hurts the nurses and causes them to attack the government would be gratuitously self-damaging.

Therefore, in summary, this note pleads for the establishment of a Review Body for Nurses and Midwives which is concerned with QUALIFIED staff and those IN TRAINING FOR A STATUTORY QUALIFICATION. It should NOT include unqualified staff such as auxiliaries and assistants.

(N.B. I do not feel that it is ideal that the Review Body for Nurses and Midwives should also deal with other professions related to medicine, such as Physiotherapy or Occupational Therapy, as is currently proposed. However, this is a less serious matter than the problem of unqualified staff. Also, I think that it is worth emphasising at this stage that it would be most unfortunate if the Review Body were to contain a member of the medical profession - for obvious historical and professional reasons).

CAROLINE COX
 DIRECTOR
 NURSING EDUCATION RESEARCH UNIT
 CHELSEA COLLEGE
 UNIVERSITY OF LONDON.

SECRET AND PERSONAL

✓ P. Gresser no. 8 2
F. Mount no. 9

Prime Minister!

5

We are to discuss this on Tuesday but it would be worth

The Prime Minister has asked that the attached paper should not be copied or circulated outside your Private Office.

reading at the weekend.

JR

25/3

SECRET AND PERSONAL

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WIDER PARENTAL CHOICE: PAPER BY THE SECRETARY OF STATE FOR
EDUCATION AND SCIENCE

1. On 8 March I was invited, with assistance from colleagues, to develop my proposals in MISC 91(82)1 for a two-limbed voucher scheme in the light of the comments at the MISC 91 meeting and the meeting on 8 March.

Independent Schools

2. My colleagues and I agree that the objective here - to give far more parents access to independent schools so as to widen choice and put maintained schools on their toes - is best met by a voucher or fee-remission scheme on the lines set out in Annex A. I invite the group to consider the question of taxing or means-testing the voucher; and whether the scheme should be national and operated by the Secretary of State or apply only where there is a local education authority (LEA) willing to operate it.

3. We agree that our objective could not in practice be well served by expanding the Assisted Places Scheme: to do so would be to destroy the scholarship character which has made it so popular. There is no mileage either in creating a new category of direct grant schools: in the nature of things these would be so vulnerable politically that I doubt that we would ever get enough takers.

Maintained schools

4. I remain convinced that much can be done to widen parental choice in the maintained sector, and to improve standards there, by a new discretionary power to assist through specific grants those LEAs who propose cost-effective schemes for expanding popular schools and improving or closing unpopular ones. Such a discretion would be a flexible and controllable means of

mobilising parental and financial pressures and experimenting with devolved financial management, without fundamental change to the legal structure created by the Education Act 1944. Details are at Annex B.

5. As a modest supplement, I also suggest requiring the governing body and head of every maintained school to convene an annual meeting, to which all parents of pupils would be invited, for the purpose of giving an account of their stewardship. Parents would be entitled to pass resolutions about the school which the LEA, governors and head would be required to consider.

6. The special advisers have suggested an alternative arrangement for maintained schools on the lines of their paper at Annex C. Like the proposals in Annex B, the advisers' proposals would be implemented only through willing LEAs. Once again the key would be a bargain with the Secretary of State to secure additional money. Instead of a high rate of grant directed specifically at named activities or projects, however, the grant here would be a supplementary one with a much wider coverage but less leverage. A participating LEA would be able to adopt a new legal framework for their school provision which would turn most maintained schools into independent charitable trusts responsible for their own affairs. These would be maintained and funded by the LEA through vouchers weighted according to social factors: the LEA would initially determine its total expenditure for all schools and the amount of financial support for each school would thereafter be related through the voucher mechanism to the number of pupils the school attracted. The LEA would have some discretion (under rules made by the Secretary of State) to vary the support it gave per registered pupil. If the school got into financial difficulties, the LEA would subsidise it under rules agreed with the Secretary of State, or take it over, or cease to maintain it, subject to a right of appeal by the school to the Secretary of State.

Pilot projects

7. Both sets of proposals for maintained schools (and the local variant of the proposal for independent schools) are by their nature local experiments and as such will serve as pilot projects. If the scheme for the independent sector were a national one, it would grow piecemeal in practice, so that one might dispense with pilot projects for it also.

Assessment

8. The proposals for independent schools, and those in Annex B, are, I believe, technically feasible subject to the resolution of certain questions identified in Annex A and B. The proposals in Annex C are attractive in principle. They have however only just emerged and are plainly far-reaching. I would like to recommend them if further work shows them to be politically and practically feasible. They would require thorough appraisal by officials. This will take time.

9. In my judgement, the proposals in Annex B could now be worked up into a worthwhile scheme. In our earlier discussions colleagues thought that a scheme on these lines did not go far enough. A scheme on the lines of Annex C is certainly more radical. One of its attractions is the potential shift in the balance of power from the LEA to school and parents through a voucher which has a financial meaning. But there are some big political difficulties which will need to be resolved. For example:-

1. It is open to doubt whether we shall find willing LEAs to volunteer to change to a school regime which deprives them of many of their existing powers. The strongest doubts attach to those urban LEAs in whose areas the need for reform is greatest. We must also not presume on the support of the churches.

2. There will be difficulties in reconciling the independence of the schools under the proposed voucher regime with the continuing responsibilities and duties of the LEA. Problems will arise as to how the LEA will perform its duty to secure minimum standards and about the reality of the transfer of power from LEA to school where schools are subsidised by the LEA.

3. Parental rights and choice will paradoxically be diminished. Parents will lose the right of appeal given to them by our 1980 Act. Experience in the independent sector suggests that it is unlikely also that over-subscribed schools will expand voluntarily. Only those parents who are fastest off the mark will get the school of their choice.

4. There will be instability. A LEA having opted to adopt the new regime might opt out on a change of political control. For various reasons, a school's status may change more than once in a pupil's career.

5. There will be difficulty in securing the right kind of governor representing the parents, or enough such governors for the smaller or less popular schools, particularly in areas with no obvious community focus.

6. The proposal entails substantial changes of the 1944 Act and the political and religious settlement which underlies it. The necessary legislation will provoke strong opposition and the Parliamentary effort may prove disproportionate to the take up.

10. I invite my colleagues:

i. to endorse the proposals for wider access to independent schools in Annex A, and to resolve the main outstanding points of principle set out in paragraph 2 above.

SECRET AND PERSONAL

ii. to decide whether further work should be done on the proposals in Annex C to see whether they can result in a feasible alternative to the proposals in Annex B.

KJ

24 March 1983

SECRET AND PERSONAL

WIDER ACCESS TO INDEPENDENT SCHOOLS

1. The objective is to give more parents access to independent schools so as to widen choice and in so doing to put maintained schools on their toes.

Assisted Places Scheme

2. This objective cannot appropriately be secured by extending the Assisted Places Scheme. This is in effect a scholarship scheme for secondary schools whose character and popularity would be destroyed if greatly extended. When the scheme reaches the peak now envisaged for it, about 40% of the pupils on average in the 221 participating independent schools will benefit from it. The scheme could be dove-tailed into a much wider scheme for assisting parents.

A much wider scheme

3. Our aim instead should be a new, much wider scheme which would also encourage entrepreneurs and parents to set up new independent schools and which would be open to all schools satisfying certain conditions on standards who admitted pupils to day or boarding places. MISC 91(82)1 described such a scheme which would be applied nationally. It is based on the idea that since parents should not be offered more financial support for private schooling than is available in the maintained sector, the maximum assistance to parents would be the expenditure which we judge appropriate for a pupil in the same age range in a maintained school. The limit on assistance means that until satisfactory existing or new independent schools come to operate with lower unit costs, parents would be required to find on average about £300 a year per pupil from their own pocket to bridge the gap between the face value of the voucher and present fee levels.

the special advisers have suggested that

4. Alternatively, the level of assistance to parents using the independent sector could be set locally by the LEA. Every parent in the area of the LEA would receive from the LEA a voucher in respect of each child of compulsory school age equivalent to approximately the average unit cost of maintained school provision in the area. Under such an arrangement, the value of the assistance to parents would vary from area to area and the scheme would be administered locally. Both variants would be applied nationally or introduced as part of a series of experiments with willing participating LEAs. Neither variant need depend on parents being issued with vouchers. Whether administered nationally or locally, it could operate through participating schools as a fee-remission scheme.

Tax or means-test?

5. The most important issue for decision is whether and how the assistance should vary with parental income. The main considerations are these:
- i. unless the assistance is taxed or means tested, the deadweight cost of assisting those who now pay for themselves would be about £500m a year. Even if we exclude all those schools which formerly did not meet the minimum standards required for registration as efficient and also assume that 20% of the remaining independent schools prefer to stay outside the scheme, the deadweight cost is still £330m.
 - ii. To tax the assistance would give help to all, however rich. Only families with gross incomes below £2795 would normally be entitled to full assistance: most parents would have to find more than £300 a year per pupil, at least initially. On the other hand, families with gross incomes above £42,000 would still receive about £400 per annum in assistance towards independent school fees.
 - iii. A special means test could be made more favourable than taxation for lower income parents and less favourable for rich parents. Both the means test used for mandatory awards in higher education and that for the Assisted Places Scheme discriminate in favour of the poorest families.
Any means test could be structured in more or less favourable ways.

6. The table below shows for purposes of illustration how assistance would be distributed under three different models. It assumes a voucher with nominal value of £1040; a family with 2 children of secondary school age; and ^{that} the means tests ^{are} applied to 1981/82 income.

Approximate income distribution (% of population in band)	Gross family income (£s)	Benefit received as % of nominal value of assistance		
		Taxation	Awards means test (without minimum award)	APS means test
25	3,000	70	100	100
	4,000	70	100	100
	6,000	70	100	93
40	8,000	70	89	67
	10,000	70	65	33
23	12,000	70	46	Nil
	15,000	70	17	Nil
12	20,000	55	Nil	Nil
	25,000	55	Nil	Nil
	38,000	45	Nil	Nil
	42,000+	40	Nil	Nil

7. The deadweight costs of assistance to those already using fee-paying schools for a national scheme would be as follows:

£millions, 1983/84 prices

No taxation/means test	330
Taxation	210
Awards means test	110
APS means test	60

These estimates assume a national scheme. Clearly, the cost is much less if Limb 1 is confined to the areas of those LEAs willing to participate in Limb 2.

Capital guarantees

8. Given the political and other risks, discretionary guarantees by the Government for capital expenditure on expanding existing or creating new schools are essential to get the scheme off to a solid start.

Direct grant schools

9. An alternative approach which has been suggested is to give assistance direct to independent schools, as opposed to parents, in the manner of the former direct grant schools scheme. The essence of such assistance is that it should be generous enough to allow high standards and ready access to families from all income groups. However, there is no prospect of bringing most of the 167 former direct grant schools back into such a scheme. 119 went independent (and 113 of them

are in the Assisted Places Scheme), 44 became maintained and 4 closed. A school which depends wholly or mainly on direct Government subsidy is so vulnerable to the vicissitudes of political change that few groups of people are likely to set up new schools of this kind. We do not therefore favour such an approach.

OPTION 1: IMPROVING CHOICE IN THE MAINTAINED SECTOR

1. This option builds on the approach described in MISC 91(82)1. Its objective is a flexible and controllable means for widening parental choice and for improving standards in the maintained sector. The Secretary of State would be empowered to direct extra resources to LEAs willing to develop schemes of more open enrolment through a system of discretionary specific grants.

Local schemes

2. New legislation would empower the Secretary of State:

- i. to agree arrangements with LEAs selected by him whereby they would seek to rationalise their maintained school provision in greater conformity to parental wishes;
- ii. to pay specific grant (say at 75%) to participating authorities on certain additional costs flowing from agreed schemes in particular the recurrent costs of providing additional places at over-subscribed schools; and
- iii. to help over school transport, particularly in rural areas.

3. This offers the most direct way of increasing parental choice because the major constraint on offering more choice for parents through open enrolment is financial. There can never be untrammelled freedom of choice for parents because of the limitations of geography and because popular schools are not infinitely extendable. But selective investment in the most successful schools can greatly increase the proportion of parents who obtain the preferred choice of school for their children.

4. The strength of this approach is that it enables the Secretary of State to negotiate schemes for wider parental choice authority by authority taking account of local circumstances and exploiting different opportunities for experimentation. It does not rely upon a single blue-print which LEAs may either accept or reject. Given the financial stimulus we could expect to be able to choose from among LEAs according to how far they were willing to meet the criteria and there would be a chance of attracting a range of LEAs with different social conditions. The mechanism would permit the cost and range of schemes to be tailored to the level of resources judged appropriate.

Criteria for approval of local schemes

5. The criteria for such schemes could ensure substantial experimentation. Since each scheme would essentially be the subject of a bargain between the Secretary of State and the LEA there would be scope for appropriate local variation and initiative. The basic criteria would include:

- i. the cost-effectiveness and educational soundness of the measures for increasing access to popular schools: this would need to specify targets for the number of places to be added to over-subscribed schools and the details of admissions policies in relation to the additional places;
- ii. the cost-effectiveness and educational soundness of the measures for improving or closing unpopular schools. The LEA would be required to indicate a lower limit for each under-subscribed school which if breached, would oblige the submission of closure proposals for consideration by the Secretary of State. In relation to under-subscribed schools, the LEA would be expected to identify a plan of action based on the results of inspection to improve the quality of performance and the quality of a school's management including where appropriate changes in personnel. HM Inspectorate would be available to assist in the development of such plans and would be strengthened for that purpose.
- iii. how far the LEA efficiently delegated to the schools in question the management of the school budget determined by the LEA. There are already some worthwhile developments in a few authorities to give schools wide budgetary freedom which are designed to improve cost-effectiveness and to encourage a greater sense of financial responsibility in the schools. We can ensure that LEAs build on these developments.
- iv. the effectiveness of the schools' participation in their community, eg by making facilities available out of school hours; development of links with local industry and commerce; and action to improve the involvement of parents in the work and life of the school.

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6. LEAs would themselves meet the cost of improving under-subscribed schools under a scheme approved by the Secretary of State. Since empty places in a school send up its unit costs per pupil, LEAs have a strong financial incentive to close schools which are heavily under-subscribed. This option also provides a financial incentive for tackling the problem of under-subscribed schools by making help for the expansion of popular ones conditional on ^{the LEA} / tackling this problem.

Optional use of vouchers

7. This option does not depend upon the use of education vouchers. It is explicitly designed as a means of increasing parental choice in the maintained sector by increasing the supply of places in schools that parents want and by improving performance in those schools that lack of parental demand has shown to be inadequate. No LEA is however prevented from basing its proposals, in discussion with the Secretary of State, on the use of vouchers and organising its financial support for schools so that the voucher is an influential element in a school's budget. The voucher could not however be the sole determinant of the budget.

Annual parental assemblies

8. To improve schools' accountability to parents, legislation should also be introduced to require the governing body and head of every maintained school to convene an annual meeting, to which the parents of all pupils would be invited for the purpose of giving an account of their stewardship. Parents would be entitled to pass resolutions about the school which the LEA, governors and head would be required to consider. Parents could also require the school to make available information on performance and policy not contained in that which schools are now required to publish under the 1980 Education Act.

Public expenditure and manpower

9. The cost of this approach depends on the willingness of LEAs to submit suitable schemes (and to find 25% of the cost) and on our readiness to approve them. So in principle we could limit the cost to what was financially and politically feasible. The current cost of each additional school place is likely to be somewhat less than the average cost per pupil which is now £800 for primary pupils and £1050 for secondary pupils aged 11-16. As an illustration, we calculate that additional current expenditure of say £10m in the first year might secure about 20,000 new primary school places or about 15,000 new secondary places in over-subscribed schools. Even if that were the full extent of the annual shift to more popular maintained schools, it would entail a subsequent growth of expenditure rising to £50m in year 5. The capital cost of the extra places, spread over several years, might be up to £250m if they were primary and up to £300m if they were secondary. The devising, examination and monitoring of local schemes would also entail some extra manpower in central and local government.

ANNEX C: ADVISERS' VOUCHER SCHEME

1. The aim of this scheme is to introduce vouchers and financial accountability not only in the independent but also in the maintained sector, and thereby to treat the two sectors in a manner that will generally be regarded as even-handed. The scheme does not, however, exceed the limits imposed by the Ministerial Meeting of 8 March 1983. Compulsory education is continued; the prohibition on charging in maintained schools is continued so as to avoid any narrowing of the choice available to the poorest parents; and the independence of existing independent schools is preserved.

2. We propose a scheme with two limbs. Limb I consists of arrangements for a voucher to be used at independent schools; limb II consists of a new set of arrangements for maintained schools. The body joining these two limbs would be the LEA.

THE LEA'S BUDGET

3. In order both to minimise disruption and to make allowance for current variations in spending, we propose that the GRE/RSG system of external funding for LEAs should remain intact. The novelty would be in the internal organisation of the LEAS schools-budget: it would be obliged to allocate much the larger part of this budget to a voucher-fund; central government would fix the precise proportion to be devoted to this fund, subject to national consultation. The LEA would then have to distribute this fund in the form of vouchers. The voucher would have different face-values for the three age ranges, 5-11, 11-16 and 16-18; the aggregate face-value of all vouchers issued by the LEA would be equal to the total sum in its voucher-fund. The small proportion of the LEA's schools-budget not devoted to the voucher-fund would be retained by the LEA in the form of a discretionary fund.

LIMB I - THE INDEPENDENT SECTOR

4. Every parent residing in the area of a given LEA would receive, from the LEA in respect of every child aged 5-18 inclusive, a voucher that would be usable as part payment for the fees of an independent school. The maximum value of the voucher, if taken to an independent school, would be its face value. But not all parents would be entitled to receive this maximum value. We recognise that those with high incomes would have to be subject to tax or means-test.

5. Since the face value of the voucher would vary from LEA to LEA, parents living in different places would receive different amounts of help towards the cost of independent education. (This is an almost inevitable result of leaving the GRE/RSG system intact.) We believe that such variations, though not ideal, are reasonable (i) because they reflect variations already present in the maintained sector, and (ii) because parents whose LEA gave vouchers of high value would also be subject to high rates.

6. Further arrangements for this limb are described in Annex A above.

LIMB II - THE MAINTAINED SECTOR

7. Except in certain special circumstances (cf. para 10) each maintained school would derive its income from vouchers issued by the LEA. The school would not be allowed to charge fees above the level of the voucher.

8. The maintained voucher schools would employ their staff, provide their books and equipment, maintain their buildings and meet such outgoings as rates and electricity charges. For this purpose, each school would have to become a legal entity such as a trust. Each school would decide which pupils it admitted and there would be no appeal against that decision (subject to para 10 iii below). It would also decide the details of provision and of its curriculum. Since its income would largely derive from public funds, it would have to publish properly audited accounts, which would be subject to challenge from the LEA and it would be required to maintain at least the same standards as are now required of maintained schools.

ALLOWING FOR DIFFERENCES IN UNIT COSTS

9. Ideally, a voucher would have the same value at all maintained schools within the area covered by a given LEA. But, unfortunately, schools in different localities may well have inescapably differing unit costs. It is necessary to allow for these differences in the construction of the voucher-system, since failure to make such allowance, coupled with the ban on charging, might lead to widespread bankruptcies of maintained-voucher schools. We therefore suggest that the voucher, when taken to such schools, should be 'weighted': ie the school would receive from the LEA, for each voucher, either more or less than the face value, accordingly as the school's needs were greater or smaller than the average for that LEA. The 'weighting' would follow a formula agreed with the Secretary of State allowing for unavoidable differences in unit cost due to sparse population, high proportion of ethnic minorities, age and state of school buildings, etc.

SECURING FREE AND SUITABLE EDUCATION FOR PUPILS OF COMPULSORY AGE

10. Certain further adjustments would be needed to enable the LEA to discharge its duty to secure free and suitable education for all children in the maintained sector.

- i. Where a maintained-voucher school failed either to cover its costs or to meet the minimum standards required by HMI, the LEA would have power either to subsidise it, or to close it, or to take it over until such time as it could be reconstituted as a maintained voucher school. There might consequently be, at any given time, a number of LEA-managed schools in each area.
- ii. Where there were insufficient school places in an area, eg because of population movement or increase, the LEA would have either to provide transport to available places elsewhere or to establish an LEA-managed school until it could reconstitute it as a maintained-voucher school.
- iii. Where a maintained-voucher school admitted fewer pupils than it had places for, and children could not secure admission to any other school in the area, the LEA would have power to require that maintained-voucher school to fill its empty places as a cheaper alternative to the creation of LEA-managed schools.

- iv. The governors of a maintained-voucher school would have the right to appeal to the Secretary of State against an LEA's decision to close or take over the school, or against an LEA's demand that the school admit additional pupils.

11. The money needed to fulfil these functions would come (1) from the LEA's discretionary fund - ie that small proportion of the LEA's schools-budget not directed to the voucher-fund (see para 3 above), and (2) from a specific grant allotted to the LEA for this purpose by the Secretary of State (see para 24 below). These two sources of funds would also be used:

- i. to cover the LEA's administrative costs.
- ii. to supplement the voucher of any child whose education would involve extra costs due to special circumstances, such as handicap, whether in special or ordinary schools;
- iii. to pay cash to parents towards unusually high costs of transport to school, in accordance with existing legislation.

CAPITAL ASSETS AND EXPENDITURE

12. When existing maintained schools became maintained-voucher schools, all those that did not, like some voluntary schools, own their own buildings now, would be offered conditional ownership of them without payment, though the Local Authority would continue to be responsible for servicing and amortizing any debt on them; schools might, if they chose, lease their buildings from the LEA at a peppercorn rent. (If the school ceased to exist as a maintained-voucher school, ownership would normally pass back to the LEA.) Subsequently, each maintained-voucher school would become responsible for its own capital expenditure, but could obtain an 85% grant (as now for voluntary aided schools) at the DES's discretion.

EDUCATION BELOW AGE 5

13. Those maintained schools at present offering nursery education would - subject to the LEA's agreement - continue to do so. The LEA would fund such provision by direct grant to the school; any extension of nursery provision would be funded in the same manner. In addition the LEA would have discretion to issue vouchers for ordinary primary schooling to "rising-fives"

CONSTITUTION AND POWERS OF GOVERNING BODIES

14. When some 25,000 existing LEA-maintained schools first became maintained-voucher schools, each new voucher school would initially become a trust with a governing body. As long as it retained this status, the LEA would appoint a fixed proportion of the governors; the teachers would also elect some governors; the number of those governors is a matter for further discussion; but the proportion of the whole should not in any case exceed 49%. The remainder of the governors - a majority - would be elected by parents of pupils, though the governors themselves would not have to be parents. (The parents might, for example, choose to elect the local vicar.) Subject to agreement with the Churches, in the former voluntary-aided schools, the constitution of the governing body would remain as at present; and also subject to agreement with the Church, the voluntary-controlled schools might be brought under the same arrangements.

15. The powers of the governing bodies of maintained-voucher schools would include control of admissions policy, control over distribution of expenditure, and appointment of head and staff.

FURTHER EDUCATION

16. To minimise disruption, we suggest that the management and funding of FE should initially remain, as at present, with the LEAs. We might, at a later date, want to consider whether to include FE in a voucher scheme.

TEACHERS

17. Under the scheme, maintained-voucher schools would employ and pay their own staff. But some schools would continue to be directly managed by LEAs: this would make it desirable to retain the Burnham scales. In addition, the retention of those scales in maintained-voucher schools would minimise opposition from the Teacher-Unions. Despite a popular impression to the contrary, the present arrangements of the scales give considerable latitude to employers to put good teachers on high scales. We anticipate that maintained-voucher schools would exploit this opportunity more liberally than LEAs do at present.

COMBINED EFFECTS OF THE TWO LIMBS

18. Under the provisions of limb I, independent education would become financially accessible to many parents who cannot at present afford it. And under the provisions of limb II, most maintained schools would become self-managing legal entities, depending for most of their funds upon the vouchers brought to them by parents. There would consequently be a general enhancement of the power of parents to affect the education of their children, and an increased devolvement of responsibility to individual schools.

19. The LEAs would, however, continue to have responsibility for ensuring that free and suitable education was provided for all children in maintained schools; and they would have both powers and discretionary funds enabling them to fulfil that responsibility.

A VARIETY OF SCHOOLS

20. Since each voucher school (whether maintained or independent) would be free to determine its admissions policy, the scheme would permit the development of a large variety of schools: some would be academically selective, some single-sex, some reserved for members of particular religious or ethnic minorities, and some devoted especially to the cultivation of artistic or technical skills.

PUBLIC EXPENDITURE AND MANPOWER

21. Public expenditure on education, at least in the first decade, would rise over what it would otherwise be, on two counts:

- i. the dead-weight cost (subject to tax or means test) of vouchers used at independent-voucher schools by parents who would otherwise have paid all the fees themselves;
- ii. the financial lubrication arising from the various functions of the LEA and the DES.

22. On the other hand, it is reasonable to hope that the greater awareness of costs brought about by the introduction of vouchers would lead gradually to a more efficient use of resources.

INTRODUCING THE SCHEME

23. For political, administrative and educational reasons, it would be preferable to introduce several pilot schemes undertaken by LEAs willing to co-operate with the government. Legislation would be necessary; but we suggest it should be permissive, enabling rather than compelling LEAs to introduce both limb I and limb 2 in their area. The hope is that more LEAs will subsequently wish to join the scheme. Eventually, all the LEAs could be brought in, if necessary by further legislation. (At this stage, the DES might become the issuing authority for vouchers.) It would also be possible to introduce limb I (the voucher to independent schools) over the whole country before the full scheme became national.

24. Our legislation would also have to give power to the Secretary of State to make a specific grant for the purposes of introducing the voucher scheme. Such a grant would be an inducement to LEAs to introduce the scheme, and would enable them to finance the extra expenditure involved.

25. We recognise that many LEAs would be unwilling to join the scheme. But we have two reasons for believing that, given an appropriate specific grant, some might be willing:

- i. LEAs in various parts of the country are now expressing interest in the possibility of making schools more nearly self-managing;
- ii. preliminary discussions at a political level with certain Conservative LEAs revealed considerable interest in the original limb I/ 2 scheme, which - though less radical - was in some respects similar to the present proposals.

CONCLUSION

26. A scheme of this kind would be demonstrably even-handed as between the maintained and the independent sector.

27. It would be justified on the grounds that it would expand parental choice for all parents, especially for the less well-off. It would also increase parental control of schools and involvement in their management. It would reduce political interference in education and revive the power of governing bodies. The self-management of schools would represent a substantial reinforcement of decentralisation, democracy and accountability. It should also lead to much improved cost-consciousness and so eventually to economies which would help to compensate for initial extra expenditure.



10 DOWNING STREET

From the Private Secretary

17 March, 1983

CC NAT HEALTH:
Nurses Pay: Piz

I enclose a copy of a letter the Prime Minister has received from Baroness Cox, Director of the Nursing Education Research Unit of Chelsea College.

I should be grateful if you could let me have a draft reply for the Prime Minister's signature to reach me here by Monday, 28 March.

(Timothy Flesher)

S. Williams, Esq.,
Department of Education and Science

17 March 1983

MR BUTLER

Blind 143

cc Education
March 83
Student loans
Marilyn set

EDUCATION DISCUSSION: CHEQUERS, SUNDAY 13 MARCH 1983

<u>Present:</u> Prime Minister	Mr Parkinson
Baroness Cox	Mr Waldegrave
Sir Keith Joseph	Mr Mount
Mr Biffen	

1. Student Loans

A revised approach to the original paper was discussed. Mr Biffen felt that the first aim must be to keep the question alive in a way which could carry us through the General Election, and this would only be politically possible on the lines now suggested by Mr Waldegrave - namely, that only the parental contribution should be considered relevant to the loan scheme. Sir Keith pointed out that parents who wished to continue to pay the parental contribution could, of course, do so; but that the essential point was that less well-off students would not be discouraged from seeking access to higher education. The disadvantage was, of course, that we were substituting an initial and sizeable Exchequer contribution for the parental contribution, and that in the short-term this would add to public expenditure. It was pointed out that the banks now offered considerable overdraft facilities to students who were in financial embarrassment, and it was worth discussion with them how far a loan scheme could be carried out through their agency. However, it was agreed that, subject to consultations with the Treasury, this was the best route for keeping the principle alive. (Sir Keith's letter to the Chancellor of the Exchequer of 16 March gives effect to the conclusions in this discussion.)

2. Polytechnics

Lady Cox said that the situation in the North London Polytechnic was just as bad as it had been when she had written "The Rape of Reason". The case of Marian Jeffrey which she had drawn to the attention of the Prime Minister and Sir Keith was only the symptom of a Marxist saturation of the Sociology Department. North London was not the only Polytechnic where this kind of process had taken place. It was usually confined to the Sociology and allied departments, and did not generally infect other faculties such as Law and Engineering.

The difficulty was that the Sociology section of the CNAA was itself under Marxist domination and was therefore validating courses which ought not to be validated. Sir Keith and Mr Waldegrave suggested that the inspectors were the people to pick up this kind of corrosion of academic standards, but it was admitted that the difficulty was to find impartial sociologists of sufficient weight and courage to carry out investigations of this sort, and report without fear or favour. However, they were very conscious of the difficulties and would certainly see what the DES could do to help.

3. Education Vouchers

There was a brief discussion of progress on education vouchers and Sir Keith said that his group was working on proposals which would be brought back to Ministers as soon as they were ready.

F.M.

Project Leader responsible for the
Clinical Learning Project:
Carol Cox BSc(Soc) MSc(Econ) SRN
01 351 2488 Ex 2594/2595

Research Fellow responsible for the
Midwifery Project:
Sarah Robinson BSc
01 352 9720 or 351 2488 Ex 2379

Research Fellow responsible for the
Ward Sister Training Project:
Judith Lathlean BSc(Econ) MA
01-351 2488 Ex 2374

Unit Statistician:
Keith Jacka MA
01-351 2488 Ex 2594

Chelsea College

University of London
Department of Nursing Studies

Nursing Education Research Unit
Director: The Baroness Cox

Manresa Road, London SW3 6LX
01-351 2488 Ex 2595/2372

CC NAT HEALTH:
NURSES PAY: P2

16th March 1983.

Dear Pamie Minister,

First, I would like to thank you very much for inviting me to lunch last Sunday and for giving me the opportunity to participate in the discussion on various aspects of education.

I still feel very concerned about the situation at the Polytechnic of North London. I hope that the measures being proposed will prove effective. The subversion is so insidious, the staff are so entrenched and the supporting networks are so mutually reinforcing that it will require very thorough, skilful and persistent investigation and follow-through to achieve a solution. On the question of student union activity: I must repeat the point I made on Sunday - that the legislation already introduced is having NO effect on colleges like the Polytechnic of North London, nor will it ever do so while bodies like the ILEA have the power to allocate the grant given to Student Unions. At the Polytechnic of North London the Student Union is as well financed as ever, with most of the £180,000 of public money being spent on six full-time Union Officers - typically revolutionary socialists - and their political activities. I would like to repeat the view, held by all the members of the Centre for Policy Studies Education Study Group, that voluntary membership (with a proportion of money earmarked for student facilities) will be the only effective means of destroying this closed shop in places where it is doing most damage. We could provide more information on this if it would be helpful, including details of the continuing disruption at the Polytechnic of North London.

The Report of the National Council for Educational Standards research project on examination results should be ready for publication within the next few weeks. We hope that it will provide powerful ammunition for debate on such matters as educational standards, diversity of schooling, freedom of choice, expenditure and pupil/teacher ratios.

/Contd.....

Finally, you asked me to let you have a note on the proposed Review
Body for Nursing and Midwifery Staff. I attach this on a separate sheet.

Thank you again,

Yours sincerely,

Casimir G.

The Prime Minister,
10 Downing Street
London S W 1

CONFIDENTIAL COMMENTS

ON

CONSULTATION DOCUMENT: REVIEW BODY FOR NURSING AND MIDWIFERY STAFF.

1. At present, the morale for nurses and midwives is generally very low. Many bore the brunt of trying to maintain essential services for patients during recent months when other health care staff were on strike. They are also having to adjust to yet another reorganization. And salary levels for well qualified and highly experienced staff, including those with demanding clinical responsibilities, are still low in absolute and relative terms.
2. They were pinning their hopes on the establishment of the Review Body which, it has been suggested, would be comparable to that which was set up to determine doctors' and dentists' pay. They hoped that it would recognise as a special position their principled refusal to take industrial action and that it would take fully into account their professional qualifications and responsibilities.
3. The Consultation Document which has recently been released is a bitter disappointment. The main source of anger is the inclusion of unqualified staff: auxiliaries and assistants. In this it is fundamentally different from the doctors' and dentists' Review Body. The reasons for dismay include the following:
 - a) The overriding concern of the profession is the provision of the highest possible standards of nursing and midwifery care. Currently, much thought is being given within the profession to ways in which promotion and remuneration should be based on the principle of accreditation. In other words, increased remuneration will be given only when it is merited in terms of qualifications and experience. The whole emphasis is on providing the best possible professional service to patients and to the community.
 - b) The government's proposal that the Review Body's remit will include staff who have no formal qualifications undermines and detracts from this basic principle. While no one would belittle the value of the contribution made by auxiliaries and assistants, it must be recognised that they do not form a part of the professional nursing team in terms of qualifications and responsibilities. To include these staff in the same Review Body would inevitably confuse and dilute discussion of the position of qualified nurses and midwives.
 - c) It is deeply regretted that the government did not present the possibility of inclusion of unqualified staff as an option for discussion. To have distributed the Consultation Paper with terms of reference which explicitly incorporates them is very unfortunate. The unqualified staff tend to be members of the large public service trade unions and many people feel bitter about the fact that they have tried to bask in the reflected glory of the professional nurses' moral stance. For example, the offer by militant trade unionists "to go to prison for the nurses" during the recent industrial disputes infuriated many nurses who were striving to maintain essential services to patients in conditions which were made extremely difficult by those very same people.

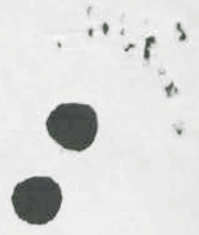
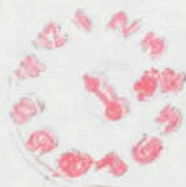
- d) If the proposed Review Body does include unqualified staff in its terms of reference, this will be seen as a betrayal by government of its commitment to give nurses and midwives their own Review Body. And it certainly does not meet the condition that it "should follow the same general pattern as the Doctors' and Dentists' Review Body"- one can hardly imagine that Body including other unqualified health care workers in its remit!
4. Therefore, I suggest that the government has a moral obligation to set up a Review Body on the terms as they were originally understood by the profession, and in a way which is consistent with its own promise of comparability with that established for Doctors and Dentists. If it does this, it will hearten and reassure a large group of dedicated and principled people who deserve no less. If it fails them in this, it will bring further demoralisation to an already hard-pressed profession, which has set an example to the nation in its principled refusal to take industrial actions which would harm those who are vulnerable.
5. In political terms, the significance of the nursing and midwifery profession should not be underestimated: it includes nearly half a million people, and has the affection and support of the general public. A mark of government appreciation would be very popular; a policy which hurts the nurses and causes them to attack the government would be gratuitously self-damaging.

Therefore, in summary, this note pleads for the establishment of a Review Body for Nurses and Midwives which is concerned with QUALIFIED staff and those IN TRAINING FOR A STATUTORY QUALIFICATION. It should NOT include unqualified staff such as auxiliaries and assistants.

(N.B. I do not feel that it is ideal that the Review Body for Nurses and Midwives should also deal with other professions related to medicine, such as Physiotherapy or Occupational Therapy, as is currently proposed. However, this is a less serious matter than the problem of unqualified staff. Also, I think that it is worth emphasising at this stage that it would be most unfortunate if the Review Body were to contain a member of the medical profession - for obvious historical and professional reasons).

CAROLINE COX
DIRECTOR
NURSING EDUCATION RESEARCH UNIT
CHELSEA COLLEGE
UNIVERSITY OF LONDON.

29 MAR 1983



SECRET

Sec PM

Prime Minister **42**
Education *WR*
11/3



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

10 March 1983

Mrs Imogen Wilde
Private Secretary to the
Secretary of State for
Education and Science

Dear Imogen,

mt

WIDER PARENTAL CHOICE

... The Chancellor thought that your Secretary of State and other Ministers present at last Tuesday's meeting might like to see the enclosed letter which he has received from Mr Robert Balchin, a Surrey County Councillor. He suggests that it contains some interesting thoughts which to some extent coincide with his own comments at the meeting, although at that time he had not seen the letter.

I am copying this letter to Barnaby Shaw (Department of Employment), David Edmonds (Department of the Environment), Alex Galloway (Chancellor of the Duchy of Lancaster's Office), Tim Flesher (No 10) and Peter Gregson and Richard Hatfield (Cabinet Office).

Yours sincerely,

Margaret O'Mara

MISS M O'MARA

mt

The Rt. Hon. Sir Geoffrey Howe, U.C., M.P.,
House of Commons,
LONDON, S.W.1.

2iii

Dear Geoffrey,

'PRIVATISING' EDUCATION

I recently read in the educational press a report that the Cabinet Committee on Home Affairs has certain doubts about the Voucher Schemes presently being proposed. As you will remember, my November letter expressed similar doubts that any scheme which does not require Local Authority Schools to respond to the market for their services, could succeed in raising standards. It is the nature of this response which is, in my opinion of paramount importance, but I shall return to this a little later.

I am presently at work on a book which will be published, I hope, in a Philosophy of Education series next year. It will in part be concerned with the shift of values that has occurred since education ceased to be a consumer-orientated service and became largely producer led. Obviously there are basic ethical questions to be answered about the marketing of education as a 'good': whereas Disraeli saw a State education system as suitable only for 'tyrannies like China, Persia, Austria and Russia', Edward Heath feels that education ought not to be 'sold like a sack of potatoes'. The book is provisionally titled 'Comprehensive to Co-extensive', the second is an adjective virtually as meaningless as the first, but tries to convey the idea that state education, as Mill said, should be only 'one among many competing experiments'. It will look forward to a future when most schools are run as private enterprises, some owned as subsidiary operations by large firms such as ICI, others owned by private companies as well as by Charitable Trusts. I have my doubts that the latter, fettered as they are by the Charities Commission, can possess the necessary dynamism always to respond to the 'market', but this is a separate issue.

I mention the above only to reaffirm my commitment in principle to the privatisation of education; I hope that some of the present schemes will not scupper our eventual chances of achieving it. I have already suggested that a voucher plan which depends on the expansion of the Trust-operated independent system will be largely ineffective. Even if the private sector could expand by 50% in five years (and 15-20% is my guess, given the constraints on the availability of capital and the cautious nature of trusteeship) only an additional 2-2½% of all parents of school age children would be able to take advantage of it (those with the ability to 'top up' the fees by some £5-700 per annum) and it would be widely seen as a perk for the wealthy because those (5%) who would anyway have chosen independent schools would receive a subsidy for a major part of their fees. It is true that, if a voucher were to be added (as is Family Allowance) to one's income for tax purposes, the very rich would not benefit from it, but this would make little difference either to the cost or the political impact.

The inescapable conclusion is that Local Authority schools must be included in any scheme, but how?

I have spent ten years selling education and after two years spent on a Local Education Authority have had the opportunity to compare the two systems for 'market response'. The most important single difference between my school and the local primary school (which might be spending more per hour of pupil/teacher contact time) is the way in which I can pay my staff. Over the last

/ten

ten years, the curriculum in my school has changed dramatically - parents do not want Classical Greek and spin bowling any longer but mathematics, sciences and computers; I pay those who teach shortage subjects considerably more than the national Burnham Scale, and those who do not, rather less. I can also hire and fire staff and adjust their contracts to meet fairly instantly the needs of the school (contraction or expansion of pupil numbers, parent-or examination-led rearrangement of the curriculum, etc.). The Remuneration of Teachers Act makes this quite impossible in Local Authority schools; the conditions under which State teachers work are negotiated separately, as you know, in a non-statutory body (CLEA-ST) and 'market response' by a Local Authority, let alone by the individual school, is almost nullified. Until individual schools or small groups of schools become 'cost centres', however, for a very large portion of education expenditure, they will be unable to respond to the effects of vouchers.

One of the plans allegedly submitted to you would allow a popular school to enlarge by one or more forms of entry, if more parents chose it; but it will not, ipso facto, become a better school (only a bigger one) of course, until the effects of extra income can actually be felt by the school operators. Likewise the school down the road which loses pupils will not raise its standards unless the loss has a direct relation to salaries/jobs within the school.

Another plan proposes a 90% voucher, with 10% left to the LEA to do with as it wishes (this is supposed to meet the objection that the costs of some schools are allegedly much greater than others in the same area.) It would of course use the 10% to plug up the haemorrhage caused by a diminution in funds coming in to unpopular schools; popular schools would receive only nine tenths of their just income !!

I made the point in my last letter that the introduction of a voucher, tax credit, etc. should, in my opinion, be almost the last in a series of legislative moves made to enable schools to respond properly to parental discrimination. It is clear that these moves would have to involve far reaching reform of the ways in which we pay and employ teachers and in which schools are funded and spend money. Some exponents see the voucher per se as the catalyst which will enable all this to happen; in fact the 'market forces' brought into being simply by supplying a voucher and relying on entrepreneurs to expand the independent system will, as I have said, have a minimal effect. In fact, parents would have the freedom to choose but the freedom to respond would be denied to the schools; both freedoms are essential before standards will rise.

This brings me to the question of experiments in selected Local Authority areas. Certain Tory LEA leaders have given the indication that they would be willing to put the question of a voucher experiment to their committees, presumably with a recommendation to assist with it. Local experiments seem to be a perfectly proper way to approach the problem and at least remove the criticism which many of us levy at the comprehensivists: that they foisted an untried system of education on the country. Are we willing, however, to prepare enabling legislation, not just to allow the experiment to start (i.e. the repeal of parts of the '44 Butler Act), but to enable the schools in those areas to respond? If not, the experiments could only fail and put back the cause of 'privatisation' for many years. I personally find it difficult to foresee half a dozen Local Authorities actually voting to support a measure, the implications of which are that they are not doing a good job and should hand over a major part of the control of their empire to other hands; but then I may be jaundiced by the unstated (but none the less present) collectivist philosophy of Surrey County Council! If experiments are to take place they should be given, by legislation, every possible chance to succeed; I worry that some voucher exponents think that enthusiasm is enough!

/If

If it is thought that the quite extensive legislation necessary is not worthwhile just to expedite experiments, or in fact too few LEA's actually volunteer to take part, then we might approach the problem laterally by a form of 'creeping' privatisation which should start by giving autonomy in expenditure to, say, primary schools. There are enough left of them to give some real choice, their operators could be quite quickly trained and they do not have the complicated finances of secondary schools. Each school or small group of schools would have to have a bursar, of course, to assist with its management and a 'board of directors'. I suggested in my last letter that school based expenditure should not at first encompass teachers' pay but eventually they should be given a total sum, calculated per capita, by the LEA for ALL their outgoings. At this stage, the vouchers/tax rebates would appear and all primary education would be funded by central government. The LEA's would be landlords and inspecting authorities. (Incidentally, rural junior schools threatened with closure because of falling rolls, might, if they have control of their own funds, opt to offer parents slightly larger classes - but with the advantages that the schools would be small and local - and to offer teachers realistic sub-Burnham salaries instead of redeployment or redundancy. This might well save many closures and stop the trend towards large centralised schools.) We might well have then learned enough to proceed with the privatisation of secondary schools.

If our aim is to have most schools independent of the state and most pupils paid for by vouchers or real money (via tax credits, etc.), thus allowing those schools to respond adequately to the needs of those who use them, the corollary of such 'privatisation' of schools is, it seems to me, the 'professionalisation' of teachers, via some kind of properly elected general council. There is, it is granted, the danger that such a council could lead to 'producer-led' training of teachers, especially if the unions made more than a minimal input into it; but a teachers' council could hardly make a worse job of things than the DES which so loosened the reins of teacher supply when staff were needed in the early seventies, that the rule seemed to be 'if it moves it can teach' and large numbers of ^{barely} qualified people entered the schools - and are in posts of responsibility today. This, however, is a separate but related issue, which I have discussed at length with Max Beloff and which he may mention to you in the report of his committee. Incidentally his comment to present voucher schemes: 'They can't work' is probably the reaction also of someone who has been selling education at the sharp end too!

In conclusion:

The independent sector possesses neither the capital nor the will to expand by more than about 20%; the impact of such an expansion on general school standards will be minimal.

A voucher scheme to be successful therefore requires the state schools to be able to respond to the forces of the market for their services.

Such response will be possible only if schools are virtually autonomous in their expenditure.

Considerable reform of present legislation, especially that concerned with the remuneration of teachers and the funding of education will therefore be necessary.

It is possible that, if co-operation from LEA's is not forthcoming or it is not felt that it is worthwhile to indulge in considerable and costly legislation just for local experiments, that a nationwide experiment

/involving

involving just one sector may be considered - I have suggested the primary sector as the most suitable.

Parents must indeed have the freedom to choose but also schools must have the freedom to respond. Both freedoms are essential before standards will rise.

Please forgive me for directing at you another lengthy letter concerning vouchers and please do not worry about a reply; I hope that you might bear some of the above points in mind, however, when you next come to consider propositions about vouchers.

With kindest regards,

Yours very sincerely,

Bob

BOB BALCHIN

Education
no. 82, Wider
Parental China

MAR 1960

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SUBJECT

SECRET AND PERSONAL

Education JARM



FILE

3
S/C: D. HANCOCK, CO

cc master

10 DOWNING STREET

From the Private Secretary

8 March 1983

Dear Inogen,

The Prime Minister held a meeting today with the Chancellor of the Exchequer, your Secretary of State, the Secretaries of State for Employment and the Environment, and the Chancellor of the Duchy. Sir Robert Armstrong, Mr. Gregson and Mr. Mount were also present. The meeting had before it your Secretary of State's paper of 18 February on a radical voucher scheme.

Your Secretary of State said that he had been invited by MISC 91 at its first meeting to prepare a paper outlining a more radical voucher scheme than that discussed at the meeting of MISC 91. As before, the objectives of the scheme were to widen the choice between private and public sector education available to parents and to increase the involvement of parents in the maintained sector and thereby to raise standards. The radical approach outlined in the paper was based upon the concept of schools as autonomous cost centres which were free to make their own decisions about which pupils to accept and free to manage their income from the vouchers paid by parents. The scheme nevertheless had to meet a number of major difficulties. First, if education was to remain compulsory there would continue to be a need for local education authorities to provide schools for those pupils not accepted elsewhere. Second, if a free education were to remain a right either the voucher would have to meet the price charged by any school, or alternatively local education authorities would have to supplement the voucher in certain areas. Third, although under the cost centre approach outlined in the paper most schools would not be maintained by local education authorities, there would still be a number of functions such as the provision of special schools which the LEAs would be required to perform. Local authority co-operation with any voucher scheme would not be universal and there would be considerable hostility to a scheme as radical as the one envisaged in the paper.

In discussion of the paper, it was noted that unless schools were allowed to charge and unless the right to a free education were abolished, the scheme would prove prohibitively expensive. Moreover, if local education authorities had a residual responsibility to ensure that the compulsory education requirement was maintained there was no impediment to their continuing to provide financial support to schools which failed to attract sufficient voucher income to be viable. Such a scheme might work in an area with good schools, highly motivated parents and a well-disposed LEA, but the test of whether it really extended parental choice

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would be in areas of poor education provision such as the inner cities. It was moreover noted that although the scheme envisaged that schools would become more autonomous, nevertheless by bringing independent schools within its purview it provided a basis on which a future Government could bring them within the state system. That was the opposite of the scheme's intentions.

Summing up this part of the discussion, the Prime Minister said that it was clear that the scheme as set out in the paper before the meeting was neither politically nor educationally acceptable. The central objectives of a voucher scheme, however, remained at the heart of Conservative education policy and some way should be found of achieving them within the framework of a more modest scheme.

In further discussion it was agreed that the objective should be to provide, in the first instance at least, scope for, and incentives for, experimentation by sympathetic LEAs disposed to widen parental choice and improve standards, within the constraints that education should remain free and compulsory. It might be preferable to get away from the technology of vouchers and to build on existing or previous mechanisms which had proved popular and effective. One such element was greater freedom on the part of schools to budget for their own expenditure as was already the case to some extent. Schools might be given greater encouragement to attract funds from non-LEA sources and to charge for extra facilities. The aim should be to reduce the budgetary dependence of schools on LEAs. In this connection it might be worth reviving the concept of direct grants to schools by the state. In order to give wider access to the independent sector it would be worth considering building on the Assisted Places scheme. Any voucher scheme must also enable parents to exercise the power of choice even where this was necessarily limited by geography. The open enrolment scheme of the Kent County Council was a pointer in this direction. Although there was a possibility that in some areas parental power might be usurped by unrepresentative groups, experience, as for example in the case of the William Tyndale School, suggested that given the opportunity parents even in unpromising areas were anxious to exercise responsibility. Any scheme involving parental choice would necessarily involve a reduction in the rolls of unpopular schools. In extreme cases closure might be possible but there ought to be some mechanism short of closure for improving bad schools. In this context the choice of headmaster was often crucial. It was desirable to find ways in which parents could bring more effective pressure to bear on LEAs to improve schools by changing headmasters and in other ways. Finally it was important to ensure that any new rights and facilities made available to parents were not vulnerable to rapid upset on political grounds.

Summing up the discussion the Prime Minister said that the Secretary of State for Education and Science should now, with assistance from colleagues, return to his proposals for a two-limbed voucher scheme in the light of the comments made at the MISC 91 meeting and at this meeting, and should report to the same group of Ministers before Easter.

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I am sending a copy of this letter to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment), David Edmonds (Department of the Environment), Alex Galloway (Chancellor of the Duchy of Lancaster's Office), Richard Hatfield (Cabinet Office) and Mr. Gregson (Cabinet Office). I should be grateful if this record could be circulated only to those with a clear operational need.

Y
ours ever,

Tim Flesher

(Timothy Flesher)

Mrs. Imogen Wilde,
Department of Education and Science

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Education

PRIME MINISTER

WIDER PARENTAL CHOICE AND EDUCATION VOUCHERS

It may be some time before Keith Joseph is in a position to forward revised proposals on wider parental choice and education vouchers. In the meantime I feel I should record my views on the inappropriateness of the concept of education vouchers for Northern Ireland because of the differences between its education system and that of England and Wales.

The two major differences are:

1. There are only 7 independent schools in Northern Ireland catering for some 800 pupils and of these only 4 schools (involving about 500 pupils) have been "finally registered" by the Department of Education, ie, the standards of accommodation and education received are recognised as being satisfactory. These schools do not receive any assistance from public funds. The three main sectors of the grant-aided school system in Northern Ireland which cater for some 360,000 pupils are -
 - (a) controlled primary, secondary (intermediate) and grammar schools (under the management of Education and Library Boards) receive 100% grant aid from public funds for recurrent and capital expenditure;
 - (b) maintained primary and secondary (intermediate) schools (under the management of the RC Church) receive 100% grant-aid from public funds for recurrent expenditure and 85% grant for capital expenditure; and

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(c) voluntary grammar schools (either denominational or non-denominational) receive substantial grants from public funds - about 94% of their recurrent expenditure and the vast majority of these schools also receive 85% grant for capital expenditure.

2. Unlike most local education authorities in the rest of the United Kingdom, transfer from primary to secondary education is, with only a few minor exceptions, based on selection at 11+ according to educational attainment. About 27% of the transfer age group go to grammar schools and the remainder to other secondary schools. Those children who satisfy the educational attainment for a grammar school place are regarded as non-fee-payers but there is also a fee-paying element in grammar schools. Within the transfer procedure arrangements the incidence of meeting parental preference is reasonably satisfactory - over the past 3 years about 93% of parents have been successful in obtaining places for their children in the secondary school of their first preference, rising to about 98% when second preferences are taken into account. These arrangements are kept under review to see if parental choice can be further extended.

The independent sector plays no relevant part in Northern Ireland and there is no pressure of any consequence to change the present selective system of secondary education. The differences between the two systems mean that there are sound educational and political reasons for not following in Northern Ireland measures that have been adopted elsewhere in the United Kingdom. For example, the Assisted Places Scheme does not operate here, nor is there any need for it.

I am anxious to preserve and where possible improve the standards of education in Northern Ireland, but I am sure that any additional funds available for this purpose could be better used in the

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Northern Ireland situation, where the funds are centrally administered, by building on the strengths of the existing system rather than by introducing a voucher scheme.

I have copied this minute to members of MISC 91 and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be the initials "JP".

J P

7 March 1983

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P.0968

PRIME MINISTER

Wider parental choice: a radical voucher scheme

BACKGROUND

FLAG A
FLAG B

The Ministerial Group on Wider Parental Choice considered on 2 February (MISC 91(83) 1st Meeting) a paper by the Secretary of State for Education and Science (MISC 91(82)1) setting out a two limbed scheme for widening parental choice in education. Vouchers would be available for use in the independent sector but in the maintained sector parents would receive a statement of their rights to exercise choice and local authorities would receive financial help from the Government for schemes designed to respond more effectively to parental choice. Some members of the Group thought that these proposals went too far, that there were some practical limitations to the exercise of parental choice in the maintained sector, and that more could be done, within these limitations, to satisfy parental choice under existing powers. Most members of the Group thought the proposals did not go far enough because they would have negligible effect on the maintained sector in which 95 per cent of children were educated. The Secretary of State for Education and Science was therefore asked to bring forward proposals for a radical voucher scheme covering both the independent and the maintained sectors, to be implemented initially on a pilot basis.

FLAG C

2. The Secretary of State for Education and Science's paper of 18 February is in response to that remit. Because of the political sensitivity the meeting of MISC 91 arranged for 24 February has been cancelled and the paper will be discussed at a small informal meeting of Ministers under your chairmanship.



SECRET AND PERSONAL

3. The main features of the radical voucher scheme are as follows:

i. every parent would receive in respect of every child aged 5-18 a non taxable voucher of a stipulated value;

ii. with a few exceptions schools in the maintained sector would become "voucher schools", ie independent cost centres controlled by their own governing bodies and deriving their income from parents' vouchers which would be reimbursed by the Government;

iii. existing independent schools would continue as now receiving income either from fees or, if they so chose, from vouchers;

iv. voucher schools would have to meet minimum standards enforced by the Department of Education and Science through the Inspectorate;

v. Local Education Authorities (LEAs) would be left only with some minor administrative tasks (eg distribution of vouchers, monitoring of school attendance) and some residual functions in providing schools where the voucher system was not ensuring enough free places within reasonable reach.

MAIN ISSUES

4. You will want to encourage a general discussion about the political and practical feasibility of the proposals. Under this heading the main points to be considered might be:

i. how far can vouchers be reconciled with the policy that education should be both compulsory and free;

ii. whether the public expenditure implications are likely to be acceptable;



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- iii. whether the shift in responsibility in education between local and central government is acceptable;
- iv. whether it is feasible and desirable to have pilot schemes;
- v. what the next steps should be (ie the forum for further Ministerial discussion, and the nature and timing of any announcement of the Government's intentions).

Vouchers in the context of compulsory and free education

5. It is desirable that the meeting should be clear at the outset whether they accept as constraints for a voucher scheme that education should be both compulsory and free. Once those constraints have been accepted, a voucher scheme has to cope with a major practical problem. This is that the unit costs of schools vary widely, by 50 per cent or more. Only by setting a very high value for the voucher would it be possible to ensure both free education and the viability of the voucher schools. Even if the value of the voucher were to be set at 5-15 per cent above the average unit cost (with the far reaching consequences for public expenditure discussed below) many schools could not be adequately funded by their pupils' vouchers.

6. The Secretary of State proposes to tackle this problem in a variety of ways. He envisages that the DES would supplement the basic voucher value for all pupils in an area or locality to take account of special local factors. Even then the unit costs of particular schools within each area or locality would vary considerably. A residual role is therefore proposed for the LEA in three ways: it would top up vouchers for some parents; it would top up the funds of some schools; and it would continue to provide some schools itself (eg by taking over failing voucher schools, by creating new schools which might eventually become viable voucher schools, and by running special schools for the handicapped etc). Some Ministers may feel that the role envisaged for the LEA represents a substantial dilution of the purity of the voucher scheme. There are however only two main ways of avoiding this -



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by breaching the principle of free education or by an even larger increase in public expenditure than that discussed below.

7. The meeting will also wish to consider how far the scheme is likely to meet the objective of widening parental choice. The paper concedes (paragraph 9) that "in the less densely settled areas, many parents would have little or no choice of school". Moreover the objective is defined in paragraph 14 as "that we should ensure merely that every parent should be able to secure a free place in a voucher school in his locality, but that this would not necessarily be the school of his choice". The main effect is likely to be, as paragraph 16 explains, to increase the scope for schools to choose their pupils rather than for parents to choose their children's schools. The widening of parental choice may depend on how far the existence of the voucher scheme would over time stimulate the creation of new schools to meet identified needs.

8. It may be argued that the main virtue of the voucher scheme, as now proposed, is not so much to widen parental choice as to increase parental power over the schools to which their children may have to go. On this argument the voucher provides all parents with the power of the purse which is at present only available to better off parents sending their children to independent schools. Against this it may be argued that the power provided by the voucher is an artificial power devised by the state. The same result might be achieved, without complicated arrangements for money flows, by putting control of schools in the hands of governing bodies composed of elected parental representatives.

9. The most important questions on which the meeting should take a view are therefore:

- what are we trying to achieve?
- is this scheme a workable and cost-effective way of achieving our objectives?



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Public expenditure

10. Public expenditure on education in 1983-84 is planned to be some £13.1 billion out of total public expenditure of some £121 billion. Any major increase in expenditure on education is therefore likely to have significant effects on total public expenditure. The paper explains that the voucher scheme may increase public expenditure in various ways, for example: the deadweight cost (say £200 million a year) of vouchers used by parents who would otherwise pay all fees themselves; the need to fix voucher values above average unit costs; various costs involved in easing the transition to the new scheme; and the extra administrative costs in creating 25,000 schools as independent cost centres, as compared with 97 LEAs in England. It has been estimated that if the voucher value were to be set at 15 per cent above average unit cost, the annual addition to public expenditure, including deadweight cost, would be of the order of £1.4 billion. If the voucher were to be set at 5 per cent above average unit cost, the additional expenditure, including deadweight, would be some £650 million. It would be difficult to reduce these costs significantly without breaching the principle of free education discussed above.

Transfer of responsibility from local government to central government

11. The essence of the proposed scheme is that local authorities would lose their major educational functions. The proposed distribution of functions is set out in Annex A to the paper. The control will pass in part to the governing bodies of the voucher schools but there would also need to be a substantial increase in central Government involvement in education, not just in administering the voucher scheme but also in setting educational standards and monitoring them through the Inspectorate. It is suggested in paragraph 25 that responsibility for educational expenditure amounting to some £3 billion would pass from local government to central Government.

12. The meeting may see considerable advantages in these changes. They would enable central Government to intervene much more directly in setting educational standards. There would be the incidental advantage that, as



SECRET AND PERSONAL

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recently discussed by the Ministerial Sub Committee on Local Government Finance (E(LF)(83) 1st Meeting) it would be possible to reduce rates and subsequently limit their increase.

13. It may be argued on the other hand that education has come to be regarded, rightly or wrongly, as the most important function of local government and that a change of the kind proposed would involve an intolerable political upheaval. The meeting will need to consider where the balance of advantage lies.

Pilot schemes

14. The arguments for and against proceeding first by pilot projects are discussed in Annex B to the paper. In commissioning proposals for a radical voucher scheme, MISC 91 assumed that there would have to be a pilot stage. There is however the disadvantage that there would have to be two separate tranches of legislation, each of which would be contentious. Moreover the pilot stage would depend on willing volunteers and some doubts are expressed as to whether even a Conservative LEA would be willing to experiment with the kind of radical scheme now proposed. The meeting will need to reach a political judgement based mainly on any information which may be available about the extent to which Conservative LEAs may be willing to volunteer for pilot schemes of the kind now proposed.

Next steps

15. If the meeting takes the view that the proposals in the Secretary of State's paper should, despite their political sensitivity, be taken further, the natural next step would be to have them tabled for discussion at an early meeting of MISC 91. You may also feel that it would be difficult to go ahead with proposals as far-reaching as those now engaged without approval by the Cabinet at an appropriate stage.

16. The Secretary of State envisages that the proposals will have to be the subject of widespread consultations. It would be useful for the meeting to reach a preliminary view on the nature and timing of these consultations. Should there be a Green Paper? If so, should it be published before the



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Election? If not, what should be the Government's public stance during the remaining life of this Parliament?

HANDLING

17. You will wish to invite the Secretary of State for Education and Science to introduce his paper. All those present are likely to have comments.

CONCLUSIONS

18. You will wish to reach conclusions on the following main points:

- i. whether, subject to any points raised in discussion, the Secretary of State for Education and Science's proposals are politically and practically feasible;
- ii. whether the proposals should go ahead in the first instance on a pilot basis;
- iii. what the next steps should be (ie the forum for further Ministerial discussion, and the nature and timing of any announcement of the Government's intentions).

PLG

P L GREGSON

23 February 1983

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CFM
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

PRIME MINISTER

23 February 1983

EDUCATION VOUCHERS

I understand that the meeting of MISC 91 planned for 24 February has been cancelled and that no date has been fixed as yet for a further meeting. Since it may be some time before we see the revised proposals on which Keith Joseph is working, I should like to record my views on the possible application of the proposals to the very different Scottish education system, to which I have been giving some thought since we last met.

We have had considerable success in Scotland in encouraging parental choice of school. Our new legislation on choice within the local authority sector and appeals where a parent's request is refused is working well and very few parents have been dissatisfied with the outcome. We have also emphasised all along that the assisted places scheme is intended to increase parental choice; it is not confined to "bright" children, and it is not subject to any local authority veto which I understand has caused problems in England and Wales. More can be done to build on these achievements and to develop choice still further, for example by incentives to local authorities to expand popular schools and by an expansion of the assisted places scheme.

One of the most striking differences between the English and Scottish education systems is the greater willingness on the part of the local authorities and the teachers' associations to accept a strong lead from the centre in relation to school standards, and in particular in relation to the school curriculum and the examination system. Whatever

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alternative package of measures we devise for Scotland should preserve my influence over the school system, since this ability to take direct action can have a much more immediate effect on standards than the application of market forces.

I would like to develop an alternative package of measures for Scotland when we are clear what sort of scheme we wish to put forward for England and Wales. If that scheme is to apply to England and Wales as a whole, it would be necessary for me to announce my proposals for Scotland at the same time. If we decide to go for pilot projects in the first instance in England and Wales, however, I could hold the position until the results of the English pilot became available.

I have copied this minute to the members of MISC 91 and to Sir Robert Armstrong.

C.Y.

Education: Wider Parental Choice
(Misc 91) Nov '82

PRIME MINISTER

Attached is the meeting folder for your Education Vouchers meeting. The papers you will particularly wish to look at are Peter Gregson's brief, Sir Keith Joseph's paper (Flag C), and Ferdie Mount's comments (Flag E). We have also received a minute from George Younger who is not a member of the small group (Flag F) which expresses the view that Scotland is different and does not need a voucher system to encourage parental choice. *See also a minute from Mr Prior expressing the same sentiments for Northern Ireland.*

Sir Keith's paper has been circulated, as you instructed, only to Ministers who are members of the Group, with the strict injunction that it should neither be copied nor circulated outside their Private Offices. Sir Robert Armstrong and Mr. Gregson have also had a copy on the same basis.

TS.

23 February 1983

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For transfer meeting folder

21 February 1983

Policy Unit

PRIME MINISTER

THE REVISED VOUCHER SCHEME

In many ways, the latest draft is worse than the first. It is obviously politically dangerous. I also think it is both unjust and unnecessary. It could easily be emended to meet the following principal objections:

1. It assumes that most people will have to pay something towards the cost of their children's education, contrary to the principles of the 1944 Education Act.
2. There will only be one altogether free school in most areas, which means that the poor will get no choice. That is worse than the present position.
3. Those independent schools which become "voucher schools" will lose their independence and could easily be nationalised by a subsequent Labour Government. The route to nationalisation has been carefully paved and is carefully concealed in the draft. The steps are (a) take-over of the capital debts of all independent "voucher schools" by LEAs; (b) abolition of any distinction between maintained and formerly independent voucher schools; (c) LEA takeover of any voucher school that becomes unprofitable. All these steps are outlined in various parts of the paper: the unstated final step could be outright and immediate nationalisation of all the independent voucher schools by an incoming Labour Government.
4. The elimination of the original proposal either to tax or to means-test the voucher (we favour no taxation below a parental income of £20,000 pa) adds to the "deadweight" cost of giving vouchers to those parents who now get no State cash for educating them privately. This and other measures in the latest draft make it potentially very much more expensive than the original scheme.
5. Those LEAs and independent schools who have already agreed to try the original scheme ad experimentum are most unlikely to go for the latest scheme at short notice. That means delay at best; cancellation at worst.

6. The latest draft proposes that in future independent schools in the scheme (and this would also apply to the voluntary-aided schools such as the Church schools) would get only 70% rather than the present 85% of their capital costs reimbursed by the State. This provision could not have been more calculated to arouse the strongest political opposition.
7. It is now proposed that free education for the under-fives, now widely available, should be replaced by charging of fees for all children. This again will arouse strong opposition.
8. Pilot schemes were thought necessary for the original scheme; yet the present paper, which proposes a more far-reaching scheme, suggests that pilot schemes are not advisable. Yet they would be even more politically necessary for a far-reaching scheme than for a halfway-house scheme.

How to emend it

- A. Forbid LEAs to charge more than the voucher. DES officials claim that a "Budget Centre" must have the freedom to set its own fees. This is an unnecessarily extreme definition of Budget Centre which I doubt whether either Arnold Weinstock or the Girls' Public Day School Trust would recognise. A Budget Centre is simply the place where you do the sums. The overall Budget ceiling can be set at HQ.

All that is necessary is to set the voucher at a realistic level which takes account of inflation and the latest teachers' pay settlement. LEA schools would then have to manage on voucher income plus occasional specific grants from the LEA and voluntary donations from local business and from parents. Power would be devolved to the school, but schooling would still be free and poor parents would still have plenty of choice.

- B. Reduce the number of LEA-nominated governors on the boards of LEA schools to less than half, to minimise political interference.
- C. h Leave the independent schools independent. The voucher would be taxed or means-tested, thus reducing the cost to the Exchequer.
- D. Leave higher education and nursery education out of the scheme, at least for the time being.

cc Gregson
Matfield.

Prime Minister (2) /

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The Prime Minister has asked that the
attached paper should not be copied or
circulated outside your Private Office.

WIDER PARENTAL CHOICE

A RADICAL VOUCHER SCHEME: PAPER BY THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE

1. This paper outlines a voucher scheme for schools in England in accordance with the remit given me by MISC 91 at its first meeting. That remit entails radical changes in the law and some very difficult political choices.

2. The scheme's objective is to give all parents financial power to choose a school and to bring about the greater diversity, improved efficiency and higher standards flowing from the exercise of that power. It is based on a cost centre approach, but also takes account of certain fundamental features of our present arrangements which politically we cannot ignore and which to some extent constrain what we can achieve in pursuit of those objectives. These are:

- i. that education should be compulsory for pupils aged 5-16. The scheme envisages that, as now, parents would have a duty to secure efficient and suitable full-time education for their children aged 5-16; and that young people aged 16-18 inclusive would have the right to full-time education at school or college. It follows that the scheme should ensure that every parent in every locality is able to secure a place in a school for a child of compulsory age.
 2. That parents should be able, if they so wish, to obtain such compulsory education for their children without cost to themselves. While I believe it is right to offer parents the freedom to pay more than the value of a voucher towards the cost of school fees, it would not in my view be politically feasible to compel them both to secure education for their children and to pay for doing so. But if parents are given, as I believe they should be, an absolute entitlement to free schooling for their children, that carries implications both for the way in which schools operate as autonomous cost centres and for the value of the voucher (see paragraphs 5 and 12-14).
 3. That there should be a continuing role in education for local authorities. Under a cost centre approach, most schools would not be maintained by LEAs. But certain things which schools and parents could not do between them would need to be done by a public body. Many of these public functions should in my view remain with the LEA; some would have to be performed centrally. This issue is discussed more fully at Annex A.
3. Within these constraints, the scheme is based on the principle that, certain cases apart, schools should be autonomous

cost centres. As cost centres, they would determine their own expenditure and the fees they charged, and could function only if income did not fall below necessary expenditure. Income would derive mainly from fees and voluntary parental contributions. Schools would employ their own staff, provide their own books and equipment, maintain their buildings and meet such outgoings as rates and electricity charges. For this purpose each school would have to be constituted as eg a commercial enterprise, trust or parent co-operative responsible in law for its own affairs including the details of provision and of its curriculum, and would be free to decide which pupils it admitted, with no appeal against its decision (subject to paragraph 17). The essence of the cost centre approach is therefore that schools should be independent of the LEA and, within limits, free to set their own standards in response to parental demands.

4. Every parent residing in England would receive, in respect of every child aged 5-18 inclusive, a voucher of a stipulated value for use as payment towards the fees charged by any school which had agreed to accept voucher-bearing pupils and to admit the child either as a day-pupil or as a boarder. The school would receive in cash from the Exchequer the full value of the voucher.

5. The value of the voucher, if used, would not vary with parental income. If it did, eg because it was taxable, most parents would in effect be charged directly for schooling. I would therefore accept the extra dead-weight cost from the use of the voucher by parents who would otherwise have met the fees themselves out of taxed income.

3 Categories of school

6. Schools would fall into 3 categories:

1. Those who admitted only fee-paying pupils in the way independent schools do now (Independent Schools).
2. Those who agreed to admit voucher-bearing pupils on certain conditions (Voucher Schools).
3. Those who, for various special reasons, had to be maintained by a public body (Public Sector Schools).

The Voucher Schools would cater for the great majority of pupils. They would initially include virtually all existing LEA-maintained schools, and over time new schools set up by entrepreneurs or as charities, not least by groups of parents.

7. The Independent Schools would, as now, have to satisfy certain minimal requirements relating to propriety and educational standards. They would continue to be subject to inspection by HMI. Some schools, now independent, would decide to become Voucher Schools.

8. The Voucher Schools would not be allowed to be maintained by an LEA. If we did allow this, the school would cease to depend on parental custom; the LEA, and not the school, would determine the school's budget, so that the school would not be an autonomous cost centre as described in paragraph 3; and, because the LEA would be free to top up the school's voucher/fees income from the rates, the school would compete unfairly with other types of Voucher School, and would have little incentive to be efficient - we should not allow hostile LEAs to exploit such an opportunity. Since a Voucher School's income would largely derive from public funds, it would have to satisfy a public authority on the conduct and audit of its financial affairs; and it would be required to offer a minimum standard of education higher than the very low standards with which an Independent School would have to comply. Such a requirement might relate (but not vexatiously) to such things as the broad content of the curriculum and teacher qualifications. HMI would vet compliance with the requirement and my Department would enforce it. A school which was refused the status of a Voucher School would be able to appeal to an independent tribunal.

9. In the less densely settled areas, many parents would have little or no choice of school. So that a Voucher School did not exploit a monopoly position (or form itself into a cartel with other schools in the area), the LEA would have power to limit the fees it charged subject to an appeal by the school. HMI Inspections would give parents some protection against a Voucher School using its monopoly position to depress standards.

10. Public Sector Schools would normally be maintained by the LEA. Annex A outlines the circumstances which would give rise to their existence.

The value of vouchers

11. In fixing the value of the voucher one has to differentiate by age range of pupils; and to balance several other factors, viz:

1. No parent should be obliged to top up the voucher to meet the fees: such an obligation would be a charge.
2. Public expenditure considerations.
3. Minimum standards entail a minimum scale of provision.
4. Unit costs vary inescapably between schools by reason of the size of school, age of its buildings etc.
5. Some pupils have special needs with the result that they cost relatively more to educate.

6. A low value encourages efficiency of provision, but less where population distribution gives the school a monopoly.

12. The overriding priority would be that every parent should be able to find a place in a Voucher School for which he had to pay no charge. We should not attempt to secure that objective by restricting the fees of every Voucher School. If we did, existing independent schools would be unlikely to accept Voucher School status. If we did it for all those Voucher Schools who are now maintained by an LEA, far too many of these would need a subsidy from the LEA in order to balance expenditure and fee income and would in effect continue to be maintained by the LEA instead of becoming autonomous cost centres and essentially dependent on parental custom. The voucher scheme would cease to be a real one for most schools.

13. There is a spectrum between the purity of autonomous cost centres with charging at one end through less and less exclusively autonomous arrangements to a scheme on the lines of that set out in MISC 91(82)1 at the other.

14. I therefore recommend that we should ensure merely that every parent should be able to secure a free place in a Voucher School in his locality, but that this would not necessarily be the school of his choice. Even to secure this priority, voucher values would have to be generous, at the expense of higher public expenditure, more detailed administration, a lower incentive to schools to provide efficiently, and rewards to schools with inherent or quasi-monopoly-induced economic advantages. I envisage that my Department would set a basic national value for the voucher for the 5-11, 11-16 and 16-18 age ranges. It would then, on a discretionary basis, supplement the basic voucher value for all pupils in an area or locality to take account of such special local factors as population sparsity or the prevalence of social deprivation, which affect the unit costs of all schools in the area. The area or locality would not necessarily relate to LEA boundaries; but initially the discretion to supplement would need to take some account of difference in unit costs per pupil then obtaining among the 97 LEAs. In addition the LEA would have discretion:

1. to supplement the voucher of an individual pupil with very special needs which made him exceptionally expensive to educate.
2. To supplement the voucher of able or talented pupils by a scholarship, subject to a right of appeal to the Secretary of State: this would replace the Assisted Places Scheme, and might extend to Independent Schools.

3. To pay cash to parents towards unusually high costs of transport to school.
 4. To subsidise a Voucher School to enable it to charge fees which did not exceed the values of the vouchers presented by parents living within reasonable reach of it. (see also para 17(3)).
15. To the extent that the LEA maintains or sustains some schools the purity of an autonomous cost-centred regime is diluted, but the alternative is to abandon the right to free access to schooling.

A selective pattern

16. Since each Voucher School would be largely free to determine its admission policy, the scheme would encourage a selective pattern of both primary and secondary schooling, eg by reference to ability, home background and religious beliefs. Particularly in densely settled areas, minorities could secure schools specially suited to their demands including, for example, grammar schools. In sparsely settled areas minority interests would continue to be harder to meet.

Securing enough places for pupils of compulsory age

17. Certain adjustments would be needed to enable all parents to discharge their duty to secure education for their children.

1. Where there were insufficient school places in an area, eg because of population movement or increase, the LEA would have to provide a Public Sector School (or provide transport to available places elsewhere) until this could be reconstituted as a Voucher School.
2. Where Voucher Schools admitted less pupils than they had places for and children in the area could not secure admission to any school there, the LEA would have power to require Voucher Schools to fill empty places (charging their normal fees) as a (cheaper) alternative to the creation of Public Sector Schools.
| Appeals machinery would be necessary to determine disputes.
3. Where a Voucher School, because it was unpopular or had high unit costs for whatever reason, failed to cover the expenditure needed to meet the required minimum standards, but some of its pupils could not be found a place in another Voucher School, the LEA would have power either to subsidise the school or to take it over as a Public Sector School until such time as the school could be closed, or could again break even.

Capital assets and expenditure

18. When existing maintained schools became Voucher Schools, all those who do not, like some voluntary schools, own their buildings now would be given ownership of them without payment, and the local authority would continue to be responsible for servicing and amortising any debt on them, since the incidence of debt charges on maintained schools is haphazard. If the school ceased to exist as a Voucher School, ownership would normally pass to the LEA, which would also take over the capital debt of any school now independent which became a Voucher School. Subsequently each Voucher School would become responsible for its own capital expenditure, but could obtain a 85% grant (as is now available to voluntary aided schools) at the LEA's discretion. The LEA would use its discretion, in the light of public expenditure constraints, in the interest of offering parents a coherent pattern of choice in each area, and would give some priority to essential schemes which would yield little or no extra fee income eg major repairs and improvements. The 15% contribution falling on every Voucher School would mean less public capital expenditure.

Constitution of governing bodies

19. When some 25,000 existing LEA-maintained schools first became Voucher Schools, each new Voucher School would initially become a trust with a governing body which would be responsible in law for all its affairs. As long as it retained this status the LEA would determine the number of governors and appoint an appropriate proportion of them. It might be possible to prescribe rules which would allow minority parties in the LEA to make a proportion of such appointments. The remainder of the governors would be elected by parents of pupils, and by teachers. In the former voluntary schools, some governors would be appointed by the voluntary body. The initial constitution of governing bodies of Voucher Schools would be a big operation.

Education below age 5

20. A radical voucher scheme devised primarily for full-time compulsory education is not easy to fit into the present arrangements for the education of children under 5. Such children now receive education in an LEA-maintained school only at the discretion of the LEA; such schooling must be free, but may be part-time or full-time. It usually takes place in a primary school either in a nursery class or in an infant class alongside children over 5; only a small proportion of nursery education takes place in separate nursery schools. To give parents a voucher in respect of every child aged 3 or 4 would create a universal entitlement to schooling under age 5; but a primary school which was a Voucher School could not admit under-5s free without risking bankruptcy. We would therefore have 2 broad choices:

1. A Voucher School admitting under-5s would charge fees. The LEA would have discretion to assist poor parents with the fee, subject to a means test, or perhaps to subsidise the Voucher School in respect of its under-5s. Existing nursery schools would merge with primary Voucher Schools or become Independent Schools or Public Sector Schools.
2. Vouchers would be issued for all children aged 3 and over, but LEAs would have power to control the number of places for under-5s in Voucher Schools.

Further education

21. Young people aged 16-18 inclusive should, if possible, continue to have a fairly free choice between full-time education at school and at a further education (FE) institution. Voucher Schools would be free to create or expand sixth forms, subject to the constraints on capital expenditure. But they would not compete on level financial terms with LEA-maintained FE institutions: the LEA could subsidise these at its discretion while Voucher Schools would be subject to the discipline of the autonomous cost centre. It would be possible to level the financial terms of competition by converting FE institutions also into autonomous cost centres charging fees and receiving vouchers towards fees for full-time education under age 19. I do not recommend such a course which would deprive local authorities of further important educational functions; create problems of charging for part-time and full-time participation in the essential aspects of technical and vocational education, youth work and adult education; and give grounds for large and controversial changes in the management and financing of that sector of higher education for which local authorities are now responsible.

Teachers

22. Making virtually every school a cost centre could lead to school-by-school bargaining on pay and conditions of service of teachers and other staff. But so that the Government's influence over the teaching profession should match the stake it has in it, the present arrangements which I shall shortly be suggesting to colleagues should be sharply tightened up and which give the Secretary of State ultimate control over the supply of new teachers, their calibre and qualifications, and the quality of their training, would continue in the interest of teaching standards. My Department would assist schools with the extra cost of in-service training and the provision of courses.

Transitional problems

23. On the basis of these solutions of the problems generated by the new system, it should be possible to solve the many problems of the transition to it. I have not had time to consider these. But I believe that they are soluble if we are prepared to spend.

Public expenditure and manpower

24. The public expenditure effects of the scheme depend on such features as the value of the voucher. The scheme could open the way to savings from charges for education below age 5 and on capital expenditure. But, on the assumption that vouchers would not be taxed, it seems unavoidable that public expenditure on education, at least in the first decade, would rise over what it would otherwise be, on two counts.

1. the dead-weight cost - say £200m a year - of vouchers used by parents who would otherwise pay all fees themselves;
2. the heavy financial lubrication arising from the various measures needed to secure the acceptability of such a radical change. We would spend our way out of many of the difficulties of fixing voucher values so as to avoid charging, and of the transition to the new system.

25. Since local authorities would cease to maintain schools, there would be a large reduction in rate-borne expenditure on education (on the basis of present RSG arrangements, about £3 billion) and a correspondingly higher Exchequer contribution.

26. Local authority manpower would be greatly reduced because school teachers and other, including administrative, educational staff would no longer be employed by local authorities. That saving would be offset to some extent by the substantial extra manpower needed locally and centrally for the administration of the scheme, including much extra specialist manpower for the inspection and audit of schools; and by the extra administration needed to enable Voucher Schools to function as publicly accountable cost centres.

Pilot projects and consultations

27. There are arguments for and against proceeding first by way of pilot projects. These are developed in Annex B. If we go for pilot projects we should need two successive Parliaments to legislate and to implement the scheme nationally. If we proceed straight to a national scheme, our objective would be to legislate and implement in a single Parliament.

28. A scheme along these lines, even in a pilot form, would be very bold and highly controversial. Before we commit ourselves in principle we would need to consult our supporters, the local authority associations, the voluntary bodies, and the independent school sector.

Conclusion

29. I invite my colleagues:

1. to decide on the political and practical feasibility of a scheme on the lines set out in this paper, given that the required changes are difficult and controversial;
2. to consider whether we should go for pilot projects;
3. if we decided to take such a scheme further, to consider the arrangements for consultation.

KJ

18 February 1983

THE RESIDUAL PUBLIC FUNCTIONS

1. Under the radical voucher scheme outlined in the paper, most of the action would lie with essentially autonomous schools and parents. But certain things would need to be done which schools and parents could not do between them. These residual functions would fall to some agency of the State either at local or at national level.
2. There is a case for not entrusting any of these functions to the local authorities. Their present involvement in education entails a range of functions which are interrelated. Once the most important of these functions are removed, there is no intrinsic reason why the remainder need be discharged by locally elected bodies. The local authorities might not wish to retain functions in relation to education which were a pale shadow of their present ones and gave them a largely subordinate or peripheral role by comparison with the schools. But since this role would continue to be essential, performing it would enable hostile local authorities to obstruct the implementation and operation of the scheme.
3. On the other hand, to entrust all the residual functions either to my Department, or to a special quango set up for this purpose and responsible to the Secretary of State, would entail an increase in central control which runs counter to our political philosophy and our policy for Government manpower.
4. On balance, it seems preferable to entrust to local authorities such of the residual functions as can be discharged locally without too much risk that hostile authorities would obstruct or frustrate the scheme. Certain of the functions which determine the character of the scheme would have to be done centrally. As they so directly affect policy and public expenditure, these functions should be performed by my Department.
5. The functions which could sensibly be carried out only at a central level have very much to do with shaping the overall character of the scheme. Some examples:
 - i. the registration of Voucher Schools, and the handling of appeals against refusal of voucher status;
 - ii. the promulgation and enforcement of minimum educational standards (with the advice of HMI);
 - iii. the determination of basic voucher values and of supplements for particular localities;
 - iv. arranging for the redemption of vouchers presented for payment by Voucher Schools;

- v. authorising the setting up by LEAs of new schools in areas where entrepreneurs were failing to respond fully to demand, and overseeing other forms of LEA intervention in Voucher Schools;
 - vi. the administration of specific grants for the in-service training of teachers;
 - vii. possible supervisory functions in relation to education below age 5;
 - viii. the arrangements for appeals and complaints against decisions made by schools and LEAs.
6. The following are among functions which might be discharged by LEAs:
- i. the maintenance of lists of children eligible;
 - ii. the distribution of vouchers to their parents;
 - iii. the determination of supplements in individual cases, eg of special educational needs, and of cash payments for high travel costs;
 - iv. the monitoring and enforcement of school attendance during the compulsory period;
 - v. intervention to ensure that spare places in Voucher Schools were used to meet excess demand in an area;
 - vi. intervention to subsidise or take over Voucher Schools, which were failing, or to ensure that a free place was available to every pupil whose parent wanted one; or to create new Voucher Schools where children in an area would otherwise have no school within reasonable reach;
 - vii. the limitation of fees charged by Voucher Schools in a monopoly or cartel position;
 - viii. the determination of the size of governing bodies of each Voucher School; and the appointment of an appropriate proportion of the governors;
 - ix. the running of special schools for children, the severity of whose handicaps placed them outside the scope of the Voucher Schools;
 - x. the supervision of financial standards in the Voucher Schools;
 - xi. making capital grants to Voucher Schools;
 - xii. special functions in relation to education under age 5.

PILOT PROJECTS

1. A desirable first step in implementing the radical changes in this paper would be to establish pilot projects in one or more representative areas covering the whole or part of an LEA. Insofar as they tested the workings of a completely untried framework of responsibilities for school education, such projects would help both to deflect criticism from our opponents and to marshal potential support through a process of familiarisation.
2. But pilot projects would also create political and practical difficulties of their own. It would be inconsistent with the concept to impose a pilot project on an unwilling authority: in any case, an imposed project seems bound to fail. Even a Conservative LEA might be unwilling to experiment in the substantial erosion of its functions and to offer up its electors, ratepayers, parents and children as guinea pigs.
3. If a few authorities did volunteer, we would have difficulty in protecting them from the sabotage which political opponents and entrenched interests would be well placed to inflict on an isolated authority. We would be embarrassed if the project failed to work properly. Simply getting pilot schemes off the ground would require a degree of political and legislative commitment which would make it harder to turn back even if the initial indications were adverse.
4. In practice we might not learn much more from pilot projects than we would learn from the comments and objections of those hostile to the national scheme. An isolated local scheme could not by definition replicate precisely the workings of a national scheme. Questions arise whether parents outside the boundary should be allowed to opt in and, more importantly, whether those inside could opt out. There can be no guarantee that, collectively, the volunteer areas would mirror the range and diversity of provision in the country as a whole. A scheme which worked in a small town or in the suburbs would prove little about practicalities in either inner cities or sparse rural areas.
5. The legislation needed for pilot projects would be complex and controversial. Nevertheless pilot projects may be the price we have to pay to make the proposal of a national scheme acceptable to our supporters.
6. The alternative would be to match the boldness of the scheme by the boldness with which we implement it in a single operation, and thus minimise the distraction which our proposals would cause. This would mean imposing radical change across the board from the outset.
7. However we decided to proceed, the logic of a national scheme is that at some stage unwilling LEAs will need to be forced into compliance.

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PRIME MINISTER

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MISC 91

This note seeks your approval for the arrangements we make following your conversation with the Secretary of State for Education and Science yesterday. Sir Keith's paper on a wider voucher scheme will be considered by a small group of Ministers rather than a full MISC 91, although if that group approves the paper it will subsequently have to be discussed either in MISC 91 or with the Ministers involved separately. The small group will comprise: the Chancellor of the Exchequer, the Secretaries of State for Education, Employment and the Environment, and the Chancellor of the Duchy of Lancaster. ^{You} ~~It was~~ also agreed that Mr. Gregson could be present. Sir Keith's paper should be circulated only to those Ministers involved in the small group, and should be marked "not to be copied or circulated outside the Private Offices of the Ministers concerned".

Do you agree to these arrangements?

Yes not

DF

15 February 1983



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P.0948

PRIME MINISTER

Wider Parental Choice and Education Vouchers

(MISC 91(82)1 and (83)1)

BACKGROUND

B
(summarised
at A)

In his minute to you of 5 November 1982 the Secretary of State for Education and Science reported that he had concluded that there were serious practical and political difficulties involved in introducing a full-scale system of education vouchers to enable parents to send children to the school of their choice, and outlined instead a more limited scheme. You decided that the Ministerial Group on Wider Parental Choice should be set up to consider these more limited proposals.

2. The main features of the Secretary of State's proposals, set out in MISC 91(82)1 are as follows:

i. the objectives are to give more parents wider choice and thus to improve standards, in two ways: by extending assistance with private schooling and by giving more practical effect to the right to express a preference in the maintained sector;

ii. under the "first limb":

a. parents would be given for each child a voucher towards the fees of an independent school participating in the scheme;

b. the voucher value would be limited to the average cost of a place at a maintained school; it would be taxable or subject to a means test; there would be a ceiling on fees; boarding education would be excluded;



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c. discretionary Government guarantees of capital expenditure would be available to enable independent schools to start up or expand;

iii. under the "second limb":

a. an LEA willing to incur extra expenditure could propose to the Secretary of State a scheme for expanding popular schools and improving or eliminating unpopular ones;

b. if approved by the Secretary of State as a cost effective means of facilitating parental choice and raising standards, such schemes would attract a 75 per cent specific grant;

iv. each parent would receive a booklet containing a voucher for the first limb and, in relation to the second limb, an explanation of the arrangements for schemes to expand popular schools and of the parents' right to express a preference for a school under the 1980 Act.

v. legislation would be introduced initially to permit pilot projects; separate legislation for a national scheme would follow 3 years or more later.

3. In MISC 91(83)1, the CPRS ask whether the proposals would achieve the objectives sought at an acceptable cost, and whether there are simpler or more cost-effective ways of achieving the objectives. In relation to the first limb, they point out that Government guarantees for capital expenditure in the independent sector would, while helping to counter political uncertainty, distort the market, question whether the net effect on standards overall would be positive, draw attention to the potential cost (and especially the "deadweight" cost) and administrative complexity, and ask whether, as an alternative, the Government should consider an expansion of the existing Assisted Places Scheme. In relation to the second limb they ask whether grant should also be available for expenditure on rectifying unpopular schools, whether there is a risk that popular schools may be over-expanded without eliminating bad schools, and



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whether there may be ways of improving parental choice by a more independent appeals procedure.

C

4. In Mr Mount's minute to you of 28 January he supports the Secretary of State's proposals with the following modifications: the first limb scheme should cover boarding schools, although the boarding element in costs should be excluded; there should be no fees limit; and the means test should not be too steep. Under the second limb the cost-effectiveness test is thought possibly too restrictive. He also suggests that there should be a single Bill providing powers both for pilot projects and a national scheme in due course. Annex A to the minute shows the extent of assistance to independent education in other countries and Annex B explains how under the second limb of the proposed scheme parents could join together to save a village school.

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MAIN ISSUES

5. Assuming that the Group approves the objectives of wider parental choice and improved educational standards, and accepts the Secretary of State's view that a fully fledged system of education vouchers should not be pursued, the main issues would seem to be as follows:

i. Should there be a "two-limbed" approach as opposed to action confined either to the independent sector (first limb) or to the maintained sector (second limb)?

ii. In relation to the first limb:

a. what should be the broad scope of the scheme?



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- b. should it be administered through LEAs?
- c. would expansion of the Assisted Places Scheme be a preferable alternative?
- iii. In relation to the second limb:
 - a. how effective is it likely to be in practice?
 - b. should changes in appeal procedures or other changes be considered as an alternative to, or supplement to, the proposed specific grants for LEAs?
- iv. Is it necessary to have two tranches of legislation - one initially for pilot schemes and another later for a national scheme?
- v. How and when should the Government's proposals be announced?

Depending on the Group's views on these major issues, there are many points of detail to be settled. You will however wish the Group to concentrate at the first meeting on the major issues.

Need for a "two-limbed" approach

6. The Secretary of State regards the two limbs as complementary and inseparable. As the CPRS points out however there is no operational link; the booklet containing the independent sector voucher and the statement about arrangements for parental choice in the maintained sector might be thought to be an artificial device. Some might argue that the Government should concentrate solely on giving more parents access to the independent sector; this might indirectly stimulate improved standards in the maintained sector by demonstrating that parents were "voting with their feet" once financial constraints on choice were relaxed. Others again might argue that the Government should concentrate solely on the maintained sector which provides education for 95 per cent of children and should devote any additional resources available for education solely to trying to widen choice and improve standards there, instead of subsidising the independent sector and assisting

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some parents who already exercise parental choice by opting to spend money on independent education.

7. The Secretary of State is likely to argue that both limbs are necessary, partly for political and presentational reasons to show even-handedness as between the independent and maintained sectors, and partly because there is a need to improve variety in education in both sectors. He is understood to take the view that, even with very substantial resources devoted to the first limb, the independent sector of education is unlikely to increase from its present 5 per cent of the total to more than say 15 per cent over 15 years and the effect might be considerably less. He therefore sees the expansion of the independent sector as desirable in itself but as making only a limited contribution to the widening of parental choice. For the overwhelming majority of parents during the rest of this century that choice is likely to have to be exercised within the maintained sector; effective measures to widen choice in that area (over and above the demonstration effect of expanding the private sector) are therefore thought necessary.

First limb

8. The most basic question in relation to the first limb is what the scope of the scheme should be. The Secretary of State puts forward no figures for the cost of a national scheme to assist the independent sector. This is partly because of the difficulty of predicting take-up. It is also however because there are no definitive proposals about the scope of the scheme, ie how far the number of eligible independent schools should be restricted by setting minimum standards of quality and by imposing fee limits, and how far the effective value of the voucher should be restricted by means-testing or taxation. Mr Mount proposes (see para 4 above) that some of the restrictions discussed in the paper should not apply.

9. The range of options open is illustrated by the figures for the "deadweight" cost of the scheme (ie, the cost of vouchers for those who already send their children to independent schools) in the Appendix to Annex B of MISC 91(82)1. If the only limit on the scheme was to exclude boarders

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and pupils ordinarily resident abroad, the number of children covered would be about 400,000 out of the existing independent school population of 500,000, and the cost would be some £430 million. If however schools with fees more than £500 above the voucher level were excluded, and also schools likely to fall short of the former "recognised as efficient" standards, the cost would fall to about £255 million with about 250,000 children covered. If in addition there was a steep means test of the kind which applies under the existing Assisted Places Scheme the cost of the scheme would be reduced to £50 million and its coverage would be much restricted. Under the Assisted Places Scheme no benefit is available if the parent's income is one and a half times the national average. With the same criterion only a fraction of those already in the independent schools would be covered.

10. The Secretary of State might therefore be asked to clarify his objectives under the first limb more precisely. Does he favour, as the paper implies, a tightly drawn scheme cutting out the more expensive and also the poorer quality schools and targetted towards lower income families? What sort of response would he expect towards such a scheme? How far would the effect be to displace children from higher income families, and how far would extra places become available in the independent sector? If these hopes were fulfilled what would be the total cost, including the net deadweight cost of £50 million? Would the cost be justified by the benefits of wider choice and improved standards?

11. The Secretary of State leaves open whether the first limb of the scheme should be administered directly by the Government or through LEAs. The argument for the latter (Annex A to MISC 91(82)1) is that it would avoid a substantial increase in the number of civil servants and would relate more easily to the arrangements for the second limb where the LEA has responsibility for improving choice in the maintained sector. The difficulty is that many LEAs might not cooperate in administering the scheme even if the full cost of the vouchers was reimbursed by the Government; if the option of a grant at less than 100 per cent were adopted, the lack of cooperation might be much more extensive. It seems doubtful whether the LEAs should be involved in the first limb of the scheme. Since parents will often wish to choose an independent school outside the area of their LEA, the LEA may be



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little more than a post office for the voucher. Extra manpower will be required to run the scheme in any event and it might be better controlled within central Government than within local Government.

12. The CPRS raise the question of whether a preferable alternative might be to expand the Assisted Places Scheme. This is at present a very tightly restricted scheme. It covers only 220 schools of high academic quality in the secondary sector where 12 to 20 places a year in each school are provided to a total of 5000 children a year, selected for ability. When fully operative it will cover about 30,000 children (out of the 500,000 in independent schools) at an annual cost of about £50 million. Only the poorest families receive free places and no assistance is available for families with well above average income. It differs from the first limb in the following respects:

- a. the primary legislation confines the Scheme to the secondary sector;
- b. it aims to provide completely free education for children from the poorer families; for them fees are fully reimbursed and some incidental expenses such as uniform; under the first limb the value of the voucher may be as much as £500 a year below the cost of fees.

13. The scope of the Assisted Places Scheme is largely determined by regulations requiring affirmative resolution in both Houses. Unlike the first limb proposal, which would require primary legislation, the coverage of the Assisted Places Scheme could be widened very substantially, albeit within the secondary sector only, by subordinate legislation. There is little scope for widening it under the existing regulations which require that no school may provide more than 25 places a year under the Scheme, cannot have more than half its annual intake under the Scheme, and must take 60 per cent of pupils under the Scheme from the maintained sector. In order to encourage more schools to join the Assisted Places Scheme and to increase the number of children covered, these and other regulations would have to be relaxed considerably. Even then the Scheme would be significantly more limited in scope than the more open-ended scheme, covering the bulk of independent schools, which the Secretary of State appears to have in mind under the first limb. If however the Group are content that the first



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limb should be limited in that way, expansion of the Assisted Places Scheme would undoubtedly be a more quickly available, less contentious, more controllable, less costly option than the Secretary of State's proposed new scheme.

Second limb

14. The main issue about the second limb proposal is whether it would in practice widen parental choice and improve standards. Among the doubts which might be raised are the following:

- i. the practical limitations on meeting parental choice (ie the difficulty of maintaining more than one viable school in thinly populated areas; the danger of expanding a popular school in such a way as to destroy the reason for its popularity; the ephemeral nature of some reasons for a school's popularity, such as the personality of a particular head);
- ii. the danger that bad schools would lose the children of informed and caring parents and become even worse than they are now;
- iii. the dependence of the scheme on cooperation from LEAs (many Labour-controlled LEAs might decline to submit schemes on principle; even sympathetic LEAs might be unwilling to find their 25 per cent contribution to a scheme).

15. It may be argued in reply that some LEAs have already expressed interest, informally and in very broad terms, in proposals on these lines. Much would depend on how far parental pressure would oblige local authorities to take advantage of the new scheme. It may also be argued that, at a time of falling school rolls, much of the existing diversity of options available to parents (notably denominational and single-sex schools) is being eroded but could be preserved with modest financial assistance of the kind proposed. Mr Mount argues (Annex B to his minute) that the scheme could help to preserve small village schools.

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16. If there is scepticism about the practical effectiveness of the second limb, the Group may wish to consider other ideas as possible alternatives to, or supplements to, the proposal, for example the CPRS suggestions for spending money or taking other action to make unpopular schools popular, and for altering the appeals procedure to make parental choice more effective. We understand that the Secretary of State is likely to argue that the appeals procedure is as fair and effective as it can be, given the financial constraints on local authorities and the decisions which those constraints oblige them to make about the number of places available at particular schools.

Need for a pilot stage

17. If the Group favour the Secretary of State's proposals, they may wish to consider whether, as he suggests, there is a need to have two separate tranches of legislation - one which might be in the first year of the next Parliament to provide for pilot projects under both limbs and the other 3 to 5 years later for a national scheme. The Group will wish to probe carefully whether this two-stage process, which is long drawn out and expensive in Parliamentary time, is necessary or desirable. Even a period of 3 to 5 years would be too short to demonstrate the educational benefits of the proposals. There is admittedly the risk that the initial legislation might, with experience, prove imperfect but that could be corrected later, as necessary, with amending legislation. Finally it is argued that the scheme might best be introduced gradually in limited areas of the country. It is however difficult to see how this concept applies to the first limb of the scheme. The availability of central Government assistance with independent school fees cannot easily be restricted, on a pilot basis, to people living in a few selected localities. Any gradual build-up of the first limb could better be achieved by extending on a national basis the number of eligible schools. Similarly under the second limb national powers could be taken and applications invited from LEAs on the clear understanding that initially only a few schemes would be approved. Mr Mount favours a single Bill.

18. Subject therefore to any new points which emerge in discussion, there would seem to be considerable doubts about the proposal to have initial



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legislation confined to pilot schemes; and some good arguments for taking national powers at the outset, but implementing them only gradually.

Scope and timing of announcement

19. The Secretary of State seeks views on the timing of legislation and on whether the Government should consult about its proposals before or after announcement.

20. On legislation it is clear that this is unlikely to be feasible within the lifetime of this Parliament and the Group may therefore agree that the objective should be legislation as soon as possible in the next Parliament. Some prior consultation is essential and this cannot take place in any formal or widespread sense except on the basis of published proposals. The important issue is therefore how soon the Government should announce its proposals, and how detailed the proposals should be. At one extreme the Government might confine itself to a broad and general reference to widening parental choice in its Manifesto, leaving detailed proposals until after the Election. At the other extreme the Government would publish detailed proposals as soon as possible in a consultative document with a view to comments by the summer and the preparation of legislation in the autumn.

HANDLING

21. After the Secretary of State for Education and Science has introduced MISC 91(82)1, you may wish to direct the Group's attention to the main issues as outlined in paragraph 5i. to v. above. You might then invite Mr Sparrow to add, if he wishes, to the CPRS memorandum (MISC 91(83)1). ~~The Home Secretary~~ and The Chancellor of the Exchequer may have views on the broad policy. The Chief Secretary, Treasury may have public expenditure points and the Secretary of State for the Environment points about the financial and other relationships with local authorities. The Secretaries of State for Scotland, Wales and Northern Ireland may have comments as education Ministers. The Lord President, Lord Privy Seal and Chancellor of the Duchy of Lancaster may give their views on the likely reception of the scheme by the Government's supporters in Parliament and in the country.



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CONCLUSIONS

22. It will probably not be feasible or desirable to reach definite conclusions on the details of the proposed scheme at the first meeting, but you will wish to record preliminary views at least on as many of the following main questions as possible:

- i. whether some new Government initiative to widen parental choice is desirable;
- ii. if so, whether the initiative should be "two-limbed" and should embrace both the independent and maintained sectors;
- iii. what the broad scope for the first (independent sector) limb should be; (ie should assistance with fees be directed mainly to poorer families? should the most expensive and lower quality independent schools be excluded? should the scheme be confined to secondary schools? should there be Government guarantees for capital expenditure by new or expanded independent schools? should it be administered through LEAs? would expansion of the Assisted Places Scheme be preferable?)
- iv. whether the proposed second (maintained sector) limb is likely to be workable and effective and whether there are alternative or supplementary approaches;
- v. whether a pilot stage is necessary for either or both limbs;
- vi. what should be the timetable for legislation, and the timing and scope of an announcement.

23. Depending on the discussion you may wish to ask the Secretary of State for Education and Science to circulate further papers. The next meeting of the Group has been arranged for 11.30 am on Thursday 24 February.

PLG

P L GREGSON

31 January 1983

CONFIDENTIAL

Prime Minister:

28 January 1983

Policy Unit

John
class

PRIME MINISTER

Agree that the
Policy Unit paper may
be circulated to Misc 91

Yes - 2, in
mt

WIDER PARENTAL CHOICE AND EDUCATION VOUCHERS

(attached)

JF
28/1

Sir Keith Joseph's paper is the first practicable attempt to manage a transition from a system of schools controlled by officials to one in which parental choice is dominant. It proceeds by gradual stages. And it does not interfere with the powers and duties of local education authorities to provide free education under the 1944 Act. Both the schools and the parents taking advantage of the scheme would do so voluntarily. The same would be true of LEAs which volunteered to take part in the local pilot schemes.

If the scheme were a success, it would produce a far greater variety of types and sizes of school which would be available to all. Those who feel that the present scheme does not go far enough might find that, in practice, it brought about, over a period of 15-20 years, a quite radical change in the pattern of Britain's schools.

But if the scheme is to catch the popular imagination, several changes need to be considered (we follow the numbering in the paper).

2(1) We may wish to exclude the boarding element and insist that the voucher is spent only on tutorial costs. But it would be a mistake to exclude boarding schools from the scheme. Increasingly, all except the most expensive public schools draw their clientele from local families, and many take more day pupils than they used to.

Equally, the proposed exclusion of schools which charge more than £500 over the value of the voucher would exclude some of Britain's finest schools such as those in the Girls' Public Day School Trust, Dulwich and Whitgift. Our purpose must be to open up the best schools. After all, the original purpose of many of them (eg Eton) was to educate "poor scholars".

2(2) We must be careful about inserting a criterion of "cost-effectiveness" for proposals to expand popular schools and improve or eliminate unpopular ones. It is all too easy, as the experience of the 1944 Act proved, for cost-effectiveness to be interpreted to suit the whim of the LEA.

3-5 A means test or a tax clawback would be quite sufficient to meet the objection that the scheme would subsidise the rich.

It is important not to set the ceiling too low. The voucher should be available, in whole or part, to parents who would otherwise have a struggle to pay day school fees. We believe that the ceiling should not be lower than £15,000-£20,000 a year.

We must also stress that the costs to public funds would be transitional, since in the long run more parents would be educating their children in the private sector and topping up the vouchers out of their own pockets.

6. Local Pilot Projects. The readiness of so many local education authorities to take part shows the attractions of the scheme even to those who administer the status quo. We would expect to see many more volunteers once the pilot projects were in operation.

7-8 There is a case for proceeding by separate steps. But you may wish to consider the alternative possibility of a single Bill which would make provision, but set no date, for the national scheme at the same time as enabling the pilot projects to go forward. This would mean that we had jumped the major political hurdle at the start of the Parliament. Changes which seemed necessary in the light of the pilot experience could be made in minor amending legislation.

9-10 We believe that open consultation is essential. So is a vigorous campaign of persuasion. A campaign for a reform of education in a democratic, popular direction should be conducted in a candid and forthright fashion.

Some Criticisms to be Answered

(a) It is important to dispel the idea that public aid to independent schools is a bizarre or doctrinaire cause. On the contrary, Britain is highly unusual in its refusal to extend public funds or tax reliefs to independent schools, for which parents therefore have to pay twice. We append some international comparisons in Annex A.

Opinion polls have shown again and again the general popularity of private schools. If we can make it possible for their pupils to be drawn from all classes, that popularity would be entrenched.

(b)

The CPRS says the scheme is too complex and suggests expanding the Assisted Places Scheme instead. But the voucher system, once in practice, would be easily understood. It would be no more complicated, for example, than the present arrangements for the financing of UK universities. The Assisted Places Scheme is in essence a scholarship scheme for bright children. It does not broaden the opportunities for all children, and does not improve choice or standards within the State sector.

(c)

It is important that we should explain how simple it would be to apply the voucher scheme to give practical effect to parents' wishes. In Annex B, we give a simple example of how vouchers could make it possible to retain or revive a village primary school. This should appeal to our own supporters in rural areas.

It would be just as easy to show how inner-city parents, dissatisfied with the existing schools, could start their own secondary school. Since falling school rolls have led to the closure of many schools in recent years, premises would be cheap and readily available in many cities.

If you think it would help, we would like to distribute this background paper to other members of MISC 91.

FERDINAND MOUNT

fm

INTERNATIONAL COMPARISON

Public funding and support for schools which are under wholly independent control are established features of the educational system in many European countries, though none has yet established a nationwide voucher system. Apart from the assisted places scheme, Great Britain, although not Northern Ireland, is unusual in denying general state assistance to independent schools. Our maintained voluntary controlled/aided schools are correctly classified as part of "the public sector", since under the 1980 Act, as under the 1944 Act, they remain ultimately under the control of the Secretary of State.

The Netherlands

Since 1917, the public financing of State and independent schools has been on an equal footing. As a result, 65% of educational expenditure is on private schools, with a slightly higher percentage at the infant and primary levels. Any group has the right to set up schools, and many schools belong to the Churches.

Denmark

Independent education in Denmark is a tradition of long standing. One-twelfth of all pupils are in private schools. In 1981, 21 of the 351 independent schools were newly-established, indicating some dissatisfaction with the State system. Private schools receive average subsidies of 85% of operational costs.

The Federal Republic of Germany

Independent education in West Germany is guaranteed by the Grundgesetz. Private schools may receive recognition and subsidy from the State so long as they do not segregate children according to the financial means of their parents. About one-twentieth of pupils are in independent schools, which flourish most in those regions where the local authority is sympathetic for religious or political reasons. Socialist-controlled authorities are least helpful.

France

More than one-fifth of pupils are in independent schools, most of which are run by the Catholic Church. Almost all independent primary

and secondary schools are subsidised by the State, which spends almost one-eighth of the education budget on them.

Republic of Ireland

The constitution enshrines the principle that parents are the arbiters of choice in education for their children and that they are not required to use state schools. The distinction between independent and State sectors is not sharp and is not a political issue. In practice, most primary and secondary schools are wholly or chiefly State-funded, but under denominational and vigorously independent control. There are three chief categories of school:

- (a) "national" primary schools run by the Church but funded by the State;
- (b) independent secondary schools, some fully State-funded and others supported partly by fees;
- (c) vocational, comprehensive and community schools, State-funded and run by local authorities.

Northern Ireland

The 1944 Act did not apply to Northern Ireland, nor did the 1976 Act. Northern Ireland thus retains Voluntary Grammar Schools, roughly equivalent to British Direct Grant Schools, as well as a greater degree of independence for its maintained Church schools. Assessment of Performance Unit Studies showed that school standards in Northern Ireland were, on the whole, distinctly superior to those of other parts of the UK. Roughly 30% more school-leavers in Northern Ireland leave with one or more A-levels than in England.

VILLAGE SCHOOLS

One strong attraction of the voucher scheme is that it would promote the re-establishment of village schools which have been closed, and the founding of new ones.

The problem is well-known: the Government tells LEAs to cut costs by cutting surplus places; the LEAs respond by closing village schools with high unit costs; parents protest that they would willingly contribute to the upkeep of village schools; but under present arrangements, no such contributions are allowed.

One solution is the voucher. Assuming costs of £10,000 pa for each teacher, £35,000 for buying a two-classroom school or £45,000 for a three-classroom school, running costs of £5,000 pa for two classrooms or £6,500 for three, and equipment costs of £70 per pupil per year (all these assumptions are somewhat above the current national average), the costs of three types of village school would be as follows:

1. A school of 40 children aged 5-11, in two classes, 5-8 and 9-11, each under a full-time qualified teacher. For Maths and English there would be three sets graded by ability. A part-time qualified teacher would be needed. Parent-helpers would assist children with difficulties in literacy and numeracy.
 COSTS: Salaries £25,000; running costs £6,500; equipment costs £2,800; capital costs £6,500.
 TOTAL: £40,800 = £1,020 per pupil per year.
2. A school of 30 children in two classes each under a full-time qualified teacher. Two divisions for Maths and English. Three parent-helpers for remedial work. Sometimes a parent-helper might take a class to free a teacher for remedial work.
 COSTS: Salaries £20,000; running costs £5,000; equipment costs £2,100; capital costs £5,000.
 TOTAL: £32,100 = £1,070 per pupil per year.
3. A school of 20 children in one class under one full-time qualified teacher. Two sets for Maths and English, requiring one part-time qualified teacher. Two parent-helpers for remedial work.

COSTS: Salaries £15,000; running costs £5,000; equipment £1,400; capital costs £5,000.

TOTAL: £26,400 = £1,320 per pupil per year.

The voucher would be set at £800, the average cost of educating a child at a maintained primary school. The parents of each child would therefore contribute £220, £270 or £520 pa, or £75, £90 or £175 per term, for each child. The level of fees could be reduced by donations, fund-raising or Government assistance.

Government help might take the following forms:

- (a) state guarantees for some portion of the initial costs, as proposed in "Wider Parental Choice";
- (b) legislation requiring an LEA, before closing a school, to offer it for sale to any group able and willing to keep the school open;
- (c) provision for one or two centrally-funded experts to advise any persons wishing to set up new independent schools.

Expenditure on (b) would be nil; on (c) very small; and on (a) not very great, if only a portion of the capital were guaranteed.

MR. HATFIELD
CABINET OFFICE

The Prime Minister has now seen Sir Robert Armstrong's minute of 29 November about the means by which the proposals of the Secretary of State for Education and Science for wider parental choice should be considered. Mrs Thatcher has agreed to Sir Robert's proposals and would like to have the first meeting of the new group before Christmas if that can be arranged.

TIM FLESHER

30 November 1982



of FM 1

Ref. A082/0314

1, Mr ~~Baker~~
2, Prime Minister

PRIME MINISTER

Yes

Agree to
Sir Roberts proposal?

Wider Parental Choice

JH
29/11

I understand that you would now like to give consideration in a wider group of Ministers to the ideas and proposals in the minute which the Secretary of State for Education and Science sent to you on 5th November.

2. The proposals would have financial and manpower implications; implications for local government; and parliamentary and political implications. With these considerations in mind I recommend a MISC group under your chairmanship, and with the following membership.

Chancellor of the Exchequer
Secretary of State for Education and Science
Secretary of State for the Environment
Secretary of State for Northern Ireland
Secretary of State for Industry
Secretary of State for Scotland
Secretary of State for Wales
Lord President
Lord Privy Seal
Secretary of State for Employment
Chancellor of the Duchy of Lancaster and Paymaster General
Chief Secretary, Treasury

3. I think that Mr Sparrow and Mr Mount should receive papers, and should be invited to attend meetings.

4. The Secretariat would be supplied by the Cabinet Office; I propose that, in addition to myself, it should include Mr Gregson and Mr Hilary.



5. If you are content with these proposals, I will set the group up and arrange for the Secretary of State's memoranda to be circulated. Would you like to have a first meeting before Christmas, if we can arrange that?

RA

ROBERT ARMSTRONG

29th November 1982

Education

Policy



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10 DOWNING STREET

From the Private Secretary

25 November 1982

Dear Inogen,

The Prime Minister met your Secretary of State and the Chancellor of the Exchequer yesterday to discuss Sir Keith's paper of 5 November on Wider Parental Choice. Sir Keith said that the scheme for increasing parents' freedom of choice set out in his paper had two limbs: first, it would enable some parents to opt out of the State system should they so wish; and, second, it would stimulate improvements within the State system. The scheme did envisage increased educational expenditure in the long term (although not without compensating savings). Such increases were the price of raising the standards of education in this country which in many schools lagged far behind the minimum acceptable. The element of parental choice was nevertheless vital to ensure that expenditure was not simply wasted on bad schools. For the short term, what was proposed was a number of pilot schemes possibly in Kent, Hampshire, Sefton and in Yorkshire, for which a relatively modest financial provision would be necessary. Authorities in those areas could, if they were invited by the Prime Minister, be prepared to participate in a pilot scheme.

The Chancellor of the Exchequer said that he welcomed proposals for the extension of parental choice and agreed with the proposition that the scheme set out in Sir Keith's paper should be tested on a pilot basis. A number of points in the scheme would clearly require discussion. For example, the private sector would need to be consulted on the basis on which they would participate in the scheme and in particular on their powers to refuse applicants; it might be necessary to insist on an ability test before participating public schools could reject candidates. Another possibility was to confine experiments to primary schools only; it was recognised however that the real problem lay in raising standards in secondary schools. The scheme would also need to build in safeguards against diminishing incentives for local authorities to make proper economies generally in their education spending. The Chancellor further said that he hoped that any voucher scheme implemented by the Government could accommodate the possibility that parents, in addition to exercising choices between schools, might take over and run their own schools.

/ Summing up

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Summing up the discussion the Prime Minister said that the scheme proposed by Sir Keith was clearly an important step towards the widening of parental choice in education and hence the raising of standards. The proposals and in particular their financial implications would now need to be discussed with colleagues and she would be making the necessary arrangements.

I am sending a copy of this letter to John Kerr (HM Treasury).

Yours ever,

Tim Flesher

TIM FLESHER

Mrs. Imogen Wilde,
Department of Education and Science

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Bf

MR. HATFIELD

CABINET OFFICE

We spoke yesterday about the way in which the proposals by the Secretary of State for Education and Science on Wider Parental Choice should be considered by colleagues and I indicated to you the Prime Minister's preliminary thinking on this point.

Bf

The Prime Minister would be grateful for Sir Robert Armstrong's advice on the next steps.

25 November 1982

PRIME MINISTER

Wider Parental Choice

You are to meet Sir Keith Joseph and the Chancellor at 1900 on Wednesday evening to discuss Sir Keith's paper on wider parental choice. In view of the size and number of papers involved you may like to look at them at the weekend. They comprise:

- Flag A A summary of Sir Keith's paper which could perhaps serve as the agenda for the meeting;
- Flag B The paper itself;
- Flag C A commentary by Ferdie Mount on the concept of vouchers and the way ahead;
- Flag D A letter from the Kent Education Committee about the prospects for establishing a pilot scheme there as Sir Keith has proposed.

One of the points which you will wish to discuss with Sir Keith and the Chancellor on Wednesday is how to take consideration of Sir Keith's plan forward. Do you agree that I should seek advice from Sir Robert Armstrong on this point?

IF. Not yet met



de FM

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

T Flesher Esq
10 Downing Street
LONDON SW1

19 November 1982

Dear Tim

... I enclose, as requested, a summary of my Secretary of State's minute to the Prime Minister of 5 November on Wider Parental Choice.

*at
in box
11/11/82.*

Yours sincerely

Mike Cornwell

N J CORNWELL
Private Secretary

P.S. I am copying this letter and the summary to David Watts (Lord Chancellor's Department)

SUMMARY BY SIR KEITH JOSEPH OF HIS MINUTE TO THE PRIME MINISTER OF
5 NOVEMBER ON WIDER PARENTAL CHOICE

Objectives: to increase individual sense of responsibility by giving parents more effective choice of school and therefore to raise standards (paragraph 1).

curriculum?

Present framework: decisions on what goes on in schools nearly totally decentralised to LEAs and schools. The providers largely decide what is provided. Parental choice is limited in practice. The vast majority of parents seem to put up with what they have more or less contentedly (paragraph 2).

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Within present framework: efforts being made by government to raise standards by (a) various measures to improve the calibre and efficiency of teachers, for example by improving initial and in-service training; (b) pressing LEAs and schools to improve the curriculum and teaching perceptions coupled with an improved examination system; (c) seeking a more suitable curriculum for the non-academic 40%; and (d) publishing HMI reports on schools and colleges.

Not enough is possible within present framework, even as improved by the limited scheme of specific grant which I have in mind (paragraphs 3 and 4).

Logical change would be to vouchers giving every parent freedom to spend at any (approved-for-curriculum etc) school what is now on average spent per child and making each school wholly depend upon the cash equivalent of the vouchers parents choose to "spend" there, topped up (perhaps within limits) by parents from their own pockets.

This would involve schools - including Church schools - no longer being maintained by local authorities as at present. It is highly unlikely that so drastic a cut in LA/LEA functions would be acceptable to the Party or to Parliament - and, even if it were, very difficult questions arise (paragraphs 5-8). A "Danish" or "Dutch" scheme cannot readily be applied to the English situation (paragraph 9).

So I propose a less radical option - with 2 limbs - to be tried in a few pilot schemes.

Limb I (a) greater scope to go private: all parents, subject to a means test, receive a voucher of a uniform value, which they can "spend" for or towards the fees for a day pupil at a new or existing approved-for-curriculum etc independent school with freedom for the parent to top up subject to a ceiling on fees and with government guarantees for an initial period for the capital cost of starting or expanding independent schools. There are public expenditure, manpower and other issues to be resolved (paragraphs 10 (1) (a) and 15-25).

Limb II (b) greater scope to choose within the maintained sector: invite LEAs to submit schemes to increase parental choice by spending money to achieve more rapid expansion (within limits) of popular schools and on the condition that bad schools are correspondingly reduced. There are public expenditure, manpower and practical issues to be resolved (paragraphs 10 (1) (b) and 26-33).

Both limbs aim to raise standards in less good maintained schools. The second limb increases choice within the maintained sector to balance the increased scope given by the first limb to shop for a place in existing or new independent schools.

There are important unavoidable constraints - of geography, of money and of the limits of feasible expansion of popular schools (paragraph 14).

The apparent "dead-weight" cost of providing vouchers for those (5%) who would be anyway at independent schools can be cut to one-third or even one-tenth as shown in Annex A and paragraph 20.

But capital expenditure guarantees would be needed (paragraph 21) and there would need to be more HMIs (22). Pilot projects are highly desirable. Therefore problems of location and cost, and uncertainties about securing volunteers (paragraphs 34-43 and Annex B).

CC... DENTIAL

Legislation would be needed both for pilot schemes and, if it were so decided, for going national (paragraph 44-45). Paragraphs 46-49 set out some general considerations on whether the schemes will increase responsibility and whether they will raise standards. Paragraph 50 raises an awkward presentational issue of nomenclature.

Paragraph 51 sets out the conclusion I seek - legislation now or early in the next Parliament for the pilot projects.

CC... DENTIAL

Educator, Policy, p 3

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10 DOWNING STREET

From the Private Secretary

MR. HATFIELD

As I mentioned to you on the telephone, Sir Keith Joseph has sent the Prime Minister the attached minute on Wider Parental Choice and, in particular, proposing a modified voucher system. The Prime Minister has asked to discuss this with Sir Keith and with the Chancellor of the Exchequer (who is the only member of the Cabinet to whom the paper has so far been copied) during the course of next week. Following that meeting, the Prime Minister will need to consider how best to take consideration of Sir Keith's proposals forward and will no doubt be seeking Sir Robert Armstrong's advice. You may therefore find this advance copy helpful in formulating such advice.

(TIM FLESHER)
16 November 1982

HL

HL

12 November 1982

POLICY UNITPRIME MINISTERWIDER PARENTAL CHOICE

It has been a tremendous struggle for Keith to advance the cause of vouchers as far as this. At every step, the opposition of the bureaucracy has been fierce and unremitting. We are facing nearly 40 years of fossilised prejudice.

What he proposes is only a Stage One scheme, but it has considerable practical merits.

- (a) It paves the way for a full-scale vouchers scheme at a later date.
- (b) It does not involve head-on confrontation with local education authorities at the outset.
- (c) It keeps to a minimum the amount of legislation required.

But the paper, as presented, bears too many scars inflicted by a hostile DES. It needs considerable streamlining before we can use it as a base document for further progress.

1. It is a mistake to start (para 5-8) with a picture of the full-scale vouchers system and then say "but, alas, we cannot have this" for if the half-way house works, we shall be able to proceed to Stage Two with strong backing from the public and from many teachers.

We should omit paras 5-8 and start with the proposals which we do intend to pursue and hammer home the point that we intend to narrow the gap between state and private education.

2. We should refute much more strongly the "polarisation myth" that with vouchers the worst State schools would sink

further into despair. On the contrary, it's voucher pressure that will impact most strongly upon just those schools.

At present, it is only the favoured comprehensives, usually but not always in middle-class areas, which are kept up to the mark by parental pressure.

We should also refute more strongly the DES classic myth that working-class and black parents don't care. It was working-class parents who closed William Tyndale. It is black parents in North London who are setting up their own schools.

3. We must bring out the point that, even under our Stage One scheme, every parent (not made clear in para 11), in or out of the State system, would receive a ticket/voucher/cheque. This was a crucial error in the Daily Telegraph leaked story.

The whole point is that the parent armed with a voucher - even though it may not have a cash value if used in the State sector - is now the customer.

4. The paper is too obsessed with conditions to be imposed on participating independent schools (paras 15-17).

If ~~we~~ want a limit on fees, it would be simpler to rule out schools which put up their fees by more than a modest percentage above the rate of inflation.

We want as many existing independent schools or possible to participate. And we want to make it as easy as possible for new ones to be founded.

5. The finance section (paras 18-21). There will be short-term transitional costs. But in the long term, the interlinking of public and private systems of education should help to reduce costs as well as improve quality.

6. There should be no hesitation (paras 22-23) about who issues the vouchers in the national scheme. It must be Central Government. To put it in the hands of local education authorities would be to reproduce in a new form the essential error of the 1944 Act.

7. Paras 26-33 make heavy weather of both the difficulties and costs of open enrolment. Kent already have such a scheme operating in part of the county without extra inducements. Other counties have also expressed enthusiasm. We should be able to improve on "at least two pilot projects" (para 39).

8. What Keith needs now is

(i) authorisation to prepare the draft legislation for 1983-4 enabling him to launch the pilot schemes in co-operation with the volunteer local education authorities,

(ii) authorisation formally to invite volunteer local authorities to prepare plans with him.

(iii) a Treasury commitment to provide extra money to pay for those schemes.

(iv) agreement that a commitment to those pilot schemes and to a subsequent national scheme should be included in the manifesto.

We think it is vital that he should have these authorisations. If we just go on saying that "vouchers are under consideration", the whole idea will dribble away into the sand. A Green Paper next Spring might help to explain the practical possibilities to the public.

9. But I think we should also urge him to prepare a shorter, simpler and more positive version of the paper to serve as the base document for future action.

That paper should make it clear that these are only the first steps towards enabling parents to exercise the

full choice and responsibility for their children's education which was given to them in theory under the 1944 Act.

Fm

FERDINAND MOUNT



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Education

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11/11

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

T Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

11 November 1982

Dear Jim,

WIDER PARENTAL CHOICE

My Secretary of State's minute to the Prime Minister of 5 November included at Annex B a memorandum from Kent on a draft pilot scheme. I think that it would have been helpful if we had also included a copy of the covering letter from the Chairman of the Kent Education Committee which helps to set the scheme in context. I now enclose a copy of the letter which I should be grateful if you would insert at Annex B.

As I have already mentioned to you, there was an error on page 7 of the minute. I should be grateful if you would delete the last sentence of paragraph 10(1)(b), (which repeats the first sentence of that sub-paragraph).

Yours ever

Inogen Wilde

MRS I WILDE
11 November 1982

CONFIDENTIAL CC



Members' Suite
County Hall, Maidstone, Kent.

From: A J L Barnes
Chairman, Education Committee

11 October 1982

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
London
SE1 7PH

Dear Sir Keith,

I understand from Mr Sexton that the officials in the DES would like rather more detail on the kind of voucher scheme that Kent would be willing to explore, and that they need this prior to drafting any papers which may be taken to Cabinet or elsewhere. From our own point of view there are difficulties about arriving at some of the detail, in particular on costings, since we have not yet felt able to consult as widely as we would wish to do once the Government has made its invitation and Kent its response. We have not, for example, been able to go to the independent schools to discuss their possible involvement in the scheme and the numbers involved.

Nevertheless the danger of getting into a chicken and egg situation is so obvious that following discussion with my colleagues I have prepared a possible scheme which is currently being examined by the relevant senior officers. The Leader has had an opportunity to see this, but it has not as yet been discussed further. I should add, however, that the broad parameters of the scheme, for example the geographical areas to be covered are known to a number of senior colleagues. They, like me, will be in a better position to decide the way forward when your thoughts on my proposals have been expressed.

As you will appreciate it is the view of the senior Conservatives on the County Council that Kent should be seen to be responding to a Government initiative, and I would be grateful, therefore, if the fact that Kent has volunteered a draft of a possible scheme could be kept confidential to yourself and those advising you on the voucher proposal. Indeed I shall take it that this letter itself is a result of our talk and is sent in response to a request.

As you know this has not been before any official organ of the County Council, nor even as yet to the full Conservative Group, and anything said

CONFIDENTIAL

The Rt Hon Sir Keith Joseph Bt MP

11 October 1982

in the document must therefore be subject both to the possibility of amendment and to later ratification by the Education Committee and the County Council. I am sorry to be so cautious but I am sure you will appreciate my reasons.

There is one final qualification and it concerns the figures contained within the paper. Clearly at this stage these have to be highly tentative, since they depend on assumptions which will have to be checked in detail, not least with some of the outside bodies involved. I have tried to spell out the assumptions on which the figures are based and have tried to make them a reasonable estimate of the costs involved. However they should clearly be understood to be "guesstimates" designed to give an approximate order of magnitude rather than to be precise costings. I am sure that they will need later modification, but I hope that we have given enough to progress the matter.

I think it is common ground to both yourself and senior members of the Conservative Group here that there must first be certainty on the legal aspects before we go ahead, and that this can most conveniently be done when power is sought to make a direct grant to LEAs to promote such schemes.

May I emphasise also that, from every point of view, and not least from the point of carrying as many teachers as possible with us (or at least securing their acquiescence), it does seem essential that the finance for the scheme should be "new" money and come via a direct grant. It would be very dangerous for us to be vulnerable to the charge that other areas of education within Kent, or indeed other services, were suffering in order to finance an experimental scheme.

It may be necessary in this context also for certain assurances to be sought from the DoE with regard to penalty clauses and other aspects of the rate support grant. No doubt this is a point which will be borne in mind in interdepartmental consultation. I know it is one to which my colleagues attach considerable importance.

I have no doubt that the fact that Kent is willing to explore the scheme will be helpful in enlisting other authorities to do the same, but I would add that it is so much to everyone's advantage to have a number of LEAs going forward with a pilot at one and the same time, that I hope every effort will be made to recruit them. This is a point on which all my colleagues feel strongly, and, while I personally feel that the very fact of legislation will deflect some of the flak from Kent, I do not think we would want to suffer from the laser beam effect of being the only target.

I am sorry to have to stress these points, which were all discussed of course, when we met, but the kind of points I have made are those which trouble my colleagues. I am sure that, if they can be met, this will speed the passage of the proposed scheme through both the Party Group and the County Council.

Yours sincerely
John Barnes

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PRIME MINISTER

Wed 24 Nov.

Educational Vouchers

BF || We have now arranged for you to see Sir Keith Joseph next week. Do you think that we ought to invite the Chancellor of the Exchequer to that meeting since Sir Keith's proposal has substantial public expenditure implications?

J.F.

Yes
mf

9 November 1982



10 DOWNING STREET

From the Private Secretary

8 November 1982

PUBLICATION AND FOLLOW-UP OF HMI REPORTS

Thank you for your letter of 2 November, which I have shown to the Prime Minister, together with your Secretary of State's letter of 27 October to Sir Derek Rayner.

To avoid further misunderstanding, I should repeat that the Prime Minister would very much prefer to consider the Government's position on the inspection of schools and other establishments in the round. The scrutinies were commissioned as long ago as October 1980 and the Prime Minister was promised a draft policy statement over four months ago.

Mrs. Thatcher has considered your Secretary of State's arguments for going ahead with a statement to Parliament so as to protect the intended start date of January 1983. She favours making early progress on this issue, although she would have preferred to see it dealt with as part of the whole, and is prepared to agree that the statement may be made, provided you can assure me that she will receive the draft policy statement by the end of this month.

On two points of detail:

- The Prime Minister sympathises with what you say about action on reports (paragraph 2 of the revised Answer) but she thinks that the draft should be filled out, using the words of your letter, as follows:

"We have also decided to introduce more systematic arrangements for ensuring that there is effective action, in relation to the institutions inspected and to the local authority's other institutions, both by the local authority and as appropriate by the Education Departments."

- On public access, the Prime Minister agrees that copies of reports should be obtainable through both the local authority and the Education Departments as their point of origin. There should be a clear

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presumption that the local authority would make copies available and a number of additional copies should be supplied automatically to the local authority for deposit in the institution, public libraries, etc. And it should be known that copies would be available from the Education Departments' head and appropriate local offices.

Finally, the Prime Minister has asked me to say that she welcomes the emphasis given in the intended new proposals to public access, including providing the press and media with copies of the reports. She thinks this a most timely and welcome strengthening of the rights of families. She very much hopes that the Education Departments will stand firmly to this point of principle in discussing the intended procedures with the local authority and teacher associations and others.

I am copying this letter to Adam Peat (Welsh Office), John Lyon (Northern Ireland Office), Muir Russell (Scottish Office), David Heyhoe (Lord President's Office) and Elizabeth Thoms (Rayner Unit).

Timothy Flesher

Mrs. Imogen Wilde,
Department of Education and Science.

B/F mfg Tuesday 1630 1

PRIME MINISTER

WIDER PARENTAL CHOICE

Attached is a paper by Keith Joseph which spells out in considerable detail the plans which he discussed with you before the Summer Recess. The paper covers action which Sir Keith is taking under the present system to extend parental choice, but concludes that this is not enough (paragraphs 3-4). He rejects, however, a full-scale move to a more-or-less free market system in education under which each school would derive its income from vouchers given by each parent. (Paragraphs 5-9). He proposes instead a two-limb voucher scheme:

- (i) the voucher would have a uniform stipulated value which could be offset by parents against the fees of an independent school; and
- (ii) the voucher would inform the parent of his rights to express a preference for a school in the maintained sector. Where a school was over-subscribed, the LEA could seek to increase its number of places by means of a grant. (Paragraphs 10-17).

Sir Keith's scheme would, he recognises, cost more, for example on vouchers for children at independent schools who would otherwise have gone to maintained schools, or those who would otherwise have been educated wholly at their parents expense, and on grants to extend the number of places at popular schools. (Paragraphs 18-33).

Sir Keith proposes that as a first step there should be two pilot projects in Conservative-controlled LEAs which would cost some £55 million over a five year period (paragraphs 34-43). Legislation would be required for both a pilot scheme and a national scheme. (paragraphs 44-45).

In conclusion, Sir Keith argues that a scheme will increase parental choice and thus parental responsibility for their

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children. It should also, by making schools' future depend on performance, tend to increase standards. This he argues would justify the increased cost.

Sir Keith has not copied his paper to colleagues and would like an early discussion of them with you, to be followed by wider discussions. I have sent a copy of Sir Keith's paper to Mr. Mount. Do you wish me to arrange a meeting with Sir Keith when Mr. Mount has had a chance to consider whether he wishes to give advice?

*Yes please
mt*

IF.

5 November 1982

PRIME MINISTER

WIDER PARENTAL CHOICE

1. In the past year I have considered whether, in order to increase responsibility and widen choice and I hope to improve to some extent educational standards, it would be sensible to introduce education vouchers. Under a voucher scheme the parent would be given a "voucher" having a specified monetary value, which in principle could "buy" for his child education at a school of his choice.

2. At present, school education in England is provided almost entirely in the public domain, and financed by central and local taxes. The public providers are not monolithic (there are 97 local education authorities and important voluntary bodies including the churches) and the teachers in the schools have great latitude in what and how they teach. But it is the providers who largely decide what is provided and how, and they are often slow to respond to the wishes and demands of parents. The performance of many schools leaves much to be desired. It is hard for those most immediately affected, the parents, to bring about improvements.

ACTION UNDER THE PRESENT SYSTEM

3. I am pressing ahead, with my present powers and within planned resources, with a range of policies for promoting parental choice, influence and involvement and for raising standards in schools.

In particular:

- (1) I am seeking to improve the calibre and effectiveness of teachers through the necessary reshaping of initial training, and by securing better selection of recruits and better training courses for them with more regard for what they will have to do when trained. I am pursuing with local education authorities ways of improving the performance of more existing teachers by training where it is most needed (eg in the teaching of mathematics and the work of the headteacher) and ways of speeding up the early retirement of the less than adequate teachers.

- (2) LEAs and schools are being asked to review their policies for the curriculum, in the light of guidance from the Secretary of State, to make it more relevant to the needs of adult and working life; in support of this, new approaches are being promoted in the teaching of mathematics and science and, prospectively, modern languages.
- (3) I have launched a programme of development projects to improve the secondary education received by the 40% of pupils who are broadly non-academic.
- (4) With the help of the proposed new examinations council, which will take over part of the work of the Schools Council, the Secretary of State for Wales and I intend to improve the system of examinations at 16+ and 18+; and we are creating new opportunities for pre-vocational education for those who have completed their period of compulsory schooling.
- (5) HMI reports on individual schools will be published; and a more ambitious follow-up procedure will enhance their effect both on the inspected school and on others.
- (6) I am doing what I can to reduce the number of schools which as a result of falling pupil numbers are too small to offer a proper education (except at unacceptable expense).
- (7) The 1980 Act, which requires the appointment of parent representatives as school governors, is being implemented gradually.

4. Without significantly altering the present system, progress on standards could be speeded up if I could secure a new power to pay specific grants to selected LEAs, by redeploying existing resources on a modest scale, in furtherance of priority objectives. I shall shortly bring forward proposals.

A MOVE TO VOUCHERS IS NEEDED

5. But even with this modest improvement, the present system would still embody these serious defects.

- (1) Parental choice of school is seriously limited in practice. Our 1980 Act gives parents an unfettered right to express a preference for a LEA-maintained school. But this right often cannot be converted into a meaningful freedom of choice because popular schools are over-subscribed and LEAs are slow to improve the unpopular ones. But the escape route to an independent school is closed to most parents because they cannot afford to take it; our Assisted Places Scheme opens it only to some parents and then only if their children are unusually bright.
- (2) This lack of choice, coupled with the widespread fallacy that it is the job of the State to see to the schooling of children, and to do so without direct cost to the parent, discourages parents from assuming that responsibility for their children's schooling which our political philosophy and the law assign to them.
- (3) Because those parents who are concerned about the standard of their children's schooling are not as well-placed as they might be to bring pressure to bear on the performance of the schools, we are unable to exploit a potentially powerful engine for improving standards in schools.

6. It is possible to imagine a regime in which vouchers were used to alter fundamentally the balance of power between parents and those who provide and operate schools by giving the parent the financial power of the consumer in a free market, so that every school would depend on the parent's custom. Under such a regime each school would, in principle, receive its income from what the parents paid it by means of vouchers which the State gave to each

parent and which the school would encash from the State; it would need to be open to the parent to top up the voucher from his own pocket. The function of LEAs as the main providers of schools would become redundant; each school (whether profit-making or charitable) would operate as an independent entity; and the distinction between "independent" and "maintained" schools would disappear (though no school would be compelled to admit voucher-bearing children if it could operate entirely by charging fees paid by the parents themselves).

7. Such a regime would be intellectually coherent and compatible with our political philosophy. But before one could know whether such a wholly novel regime could be established, very difficult issues would have to be resolved. In particular:

- (1) Fixing the value of the voucher raises conflicting considerations. Some schools, however efficiently run, are bound to cost more than others, not just because older children cost more to educate, but also because unit costs in schools are bound to vary with size, the age of buildings and for other reasons; moreover some children have particular needs which are relatively more expensive to meet. If the value of the voucher represented the average cost for a particular category, those schools with above-average costs would either have to be subsidised - which removes the incentive to efficiency and distorts competition for custom - or some parents would find that their voucher bought less than it did for other parents. In effect some children would no longer receive free schooling; and their numbers would increase if the value of the voucher were set below the average costs of schools. But setting the voucher too high would add to public expenditure.
- (2) Since we have to retain a period of compulsory education, the parent/customer in every locality would have to be

guaranteed a school place. This would, for example, mean retaining poor and unpopular loss-making (and therefore State-subsidised) schools until their pupils could be accommodated elsewhere.

- (3) While many parents, through the power of the voucher, would oblige schools to raise standards or encourage new schools to be set up, many would not, if only through ignorance of the issues. There could be polarisation between good schools patronised by well-informed and concerned parents with well-motivated children and very poor schools patronised by parents of difficult children with little knowledge or concern about good education. Given that the taxpayer met the bill, Parliament would insist on reasonable standards and value for money and would not allow parents to settle, whether deliberately or by default, for low standards. We would need a greatly enlarged central inspectorate to establish and monitor minimum standards in every school which took voucher-bearing pupils, and other staff to enforce the standards. On the other hand there should be significant reductions in local authority staff.
- (4) The capital expenditure necessary for the effective operation of a consumer-oriented school market ought to be found by the market rather than by Government grant or loan. But the market would be alive to the political risk of investing in a regime which might not become quickly acceptable to the country at large. Initially financial inducements for capital expenditure would be needed.
- (5) Eventually competition between schools could be expected to improve efficiency and so reduce costs, and some contribution from the parents' own pocket might become the norm. But the transition to the new regime seems bound to increase public expenditure on school education, both because vouchers would have to be available to many of the 5% of parents who now pay fees at independent schools and because large changes of this kind involve frictional costs and douceurs.

(6) Unforeseeable problems are bound to arise, given the immensity of the change, in relation to the determination of teacher salaries and teacher training; the relationship between school and further education for those over 16; the functions and financing of local government; and many other issues.

(7) Above all, local government would resist its loss of power and would be supported by teachers and others with a vested interest in the present system.

8. In my view, these obstacles, coupled with the obvious political difficulties, rule out any attempt to go for a regime of the kind outlined in para 6. But I believe that we should now go for a scheme which should make it easier for parents to send their children to the school of their choice, whether this is an independent school or a maintained school.

9. In some other European countries parents have ready access to independent schools by schemes under which the state gives financial support towards the capital or current expenditure of schools set up by private individuals, particularly groups of parents, of up to 85% of what it provides for the average school in the state system. I have examined the schemes of this kind which operate in Denmark and the Netherlands. In both countries, virtually all private schools are substantially state-supported and in many ways they fill the place assumed in our system by the voluntary aided schools: there is, in effect, no wholly independent sector of the kind that has grown up in England. Moreover, springing as they do from different national traditions of education, these schemes also assume the close control over the curriculum and examinations which the state exercises in these countries. The application of such schemes to our independent schools would imply a level of state support more generous than we could contemplate: and any savings brought about by a resultant shift of pupils out of the maintained sector could only be realised in the longer term. I do not therefore think that we should, at this stage, seek to promote wider parental choice by trying to adapt the Danish and Dutch schemes to English conditions.

THE PROPOSED SCHEME FOR PROMOTING PARENTAL CHOICE

10. I propose instead that we should announce, for action in the next Parliament:

- (1) A national scheme under which every parent would receive a voucher. The scheme would have two limbs:
 - (a) the parent could present his voucher, which would have a uniform stipulated value, subject to a means test, at any independent school participating in the scheme which would admit his child as a day pupil in payment towards that school's fees for age 5-18 inclusive. Since he would be spending public money, we ought to secure a reasonable standard from the schools in question. All independent schools now have to be registered, but the very low standard required for registration would be too low for entry to the scheme. I envisage that a participating independent school would need to satisfy additional conditions eg in relation to the curriculum it offered and its teachers. Limits would be set to the fees charged by participating schools.
 - (b) The voucher would also inform the parent of the arrangements for extending parental choice in the maintained sector and remind him of his rights to express a preference for a school under the 1980 Act. Under this second limb of the scheme an LEA which was willing to incur extra expenditure so that it could satisfy more parental preferences for the schools it maintained could propose a scheme for more open enrolment to the Secretary of State. If he approved the scheme, the LEA would receive a specific grant towards expenditure under the scheme. ~~The voucher given to every parent would inform him of the arrangements for such schemes and remind him of his rights to express a preference for a school under the 1980 Act.~~
- (2) Government guarantees for capital expenditure, at the discretion of the Secretary of State, to enable independent schools to start up or expand under the first limb of the national scheme; this arrangement would apply only until the scheme was successfully established.

- (3) One or more local pilot projects, to precede the national scheme, to throw light on the detailed problems to be overcome in operating simultaneously both limbs of it.

11. The first limb of the national scheme (outlined in para 10 (1) (a)) would apply to far more parents than the Assisted Places Scheme, which is essentially a scholarship scheme for bright children from poor families at a limited number of schools of high academic standing. (Eventually the new scheme might incorporate the Assisted Places Scheme.) It would give to many more parents the ultimate weapon against maintained schools which they regard as unsatisfactory: the ability to shop around in the independent sector. The scheme would stimulate some shift from public sector to private sector schooling, and would be designed to put the public sector on its toes.

12. The second limb of the national scheme (outlined in para 10 (1) (b)) would make choice more effective also for parents who continued to use the maintained sector by enabling more of them than at present to secure the maintained school of their choice. This extended exercise of parental choice within the maintained sector (taken together with the movement out of it stimulated by the first part of the scheme), would put more effective pressure on the less popular schools to adapt their performance to parental demands, and on the maintaining LEA to improve or to close them. The second limb of the scheme is an essential complement of the shift out of maintained into independent schools envisaged under the first limb. Such a shift would at best be very gradual and those parents who could not, or did not wish to, educate their children in an independent school would need to be offered a broadly similar opportunity of choice within the maintained sector.

13. A two-limb national scheme on these lines would rightly be seen as a very substantial change in the existing school system in England. It could substantially increase the providers' dependence upon the good opinion of parents. Although State support for the benefit of parents who send a child to a school outside the State system is not unprecedented, the first limb of the proposed scheme would greatly exceed in actual and potential scope such precedents as the former direct grant school arrangements or the Assisted Places Scheme, and would therefore be applauded, suspected or attacked far

more, and for similar reasons, than these much more marginal schemes. Our opponents would, for example, stress the risk that in many areas the maintained sector would be left with second-rate schools patronised only by the ill-informed parents of the less able children. So it would be crucial to make a success also of the second limb of the scheme, to present and develop the two limbs as an integrated operation, and to get right the balance between them.

Some important constraints

14. No scheme could guarantee the complete satisfaction of parental choice. There are unavoidable constraints. One is geography. In the more sparsely populated areas, the number of educationally viable schools accessible to a child is bound to be limited. Another constraint is money. The ease with which parents could opt for an independent school would often depend on how generous one could make the first limb of the voucher scheme, and on how much parents could themselves find to cover any difference between the voucher and the fee. Similarly, to expand good and popular maintained schools and to improve the bad and unpopular ones entails additional net expenditure. New places can rapidly be created in popular schools, but the extra expenditure cannot be offset by simultaneously realising the savings from taking out of use the surplus places in the unpopular schools. Some of the unpopular schools continue to be needed to secure sufficient school places in the area. Moreover, the satisfaction of parental choice would increase the cost of transport either to the local authority or to the parent or to both. A third constraint arises from policy considerations. For example, to expand a popular school beyond a certain size would damage its quality; and if a LEA fails to raise standards in the generality of the schools it maintains, the effectiveness of parental choice in that area is plainly reduced.

THE FIRST LIMB OF THE SCHEME

15. I propose that the nominal value of the voucher should be the national average pupil cost, as calculated in our public expenditure plans, for the primary phase ie 5-11 (£750), the compulsory secondary

phase ie 11-16 (£1,040), or the 16-18 phase (£1,650), as appropriate. Thus the parent could receive, for spending at an independent school, what we would, on average, have been prepared to spend on his child from public funds at a maintained school. A voucher of such a value would cover most of the fees of most of the existing educationally satisfactory independent day schools, leaving the parent whose income made him eligible to secure the full means-tested voucher to find something of the order of £300 a year from his own pocket for the age group 5-16, and less or nothing for the age group 16-18. To ensure that less than affluent parents were not priced out of the scheme, and to prevent abuses in fee-charging, it would be a condition of participating in the scheme that the independent schools concerned did not charge fees above a limit prescribed by the Secretary of State, (who would have discretion to raise the limit in special cases). The prescribed limit would be set at around £500 a year above the nominal value of the voucher. (A similar power to place a ceiling on fees is now exercisable under the Assisted Places Scheme.)

16. It would be argued, for example by the LEAs, that the independent schools in the scheme were enabled by the Government to compete unfairly with maintained schools because they were in effect allowed to receive as much State money per pupil as the average maintained school and could charge the parent a fee on top of that. This argument would be partly met by the availability of additional money for some maintained schools under the second limb of the scheme. I would not, however, favour making it a condition of an independent school's participation in the scheme that it should limit its fee to the value of the voucher. Not only would this be, and be seen as, an unjustifiable attack on the normal fee structure of independent schools. Very few independent schools could maintain their present scale and quality of provision under such a condition, particularly where for entirely legitimate reasons of eg geography

or size they were bound to incur relatively higher costs per pupil than the national average for a maintained pupil.

17. Participating independent schools would wish to remain free to decide which voucher-bearing children they admitted and should, I believe, be allowed this freedom. The success of the scheme would depend considerably on the collective readiness of the participating schools to take children of all abilities and from all backgrounds. I would hope that the schools would operate admission policies which corresponded to parental demands. If not, the Government would have to be ready to try to persuade the independent sector to do so, and to encourage the formation of new schools to that end eg through the guarantee for capital expenditure.

Public Expenditure Effects

18. The effect of the first limb of the scheme on current expenditure would be threefold. First, some parents who would otherwise have sent their children to a maintained school would send them to an independent school. It is impossible to forecast how many such parents there would be year by year. Initially, there would be few spare places at existing independent schools, and the rate at which these would expand, and new ones were set up, would depend critically on the political climate, the generosity of the scheme from the point of view of parents and of any guarantee for capital expenditure on expanding or creating independent schools. The extra financial benefit to the parents would not initially be accompanied by a saving in the maintained sector, for the reason set out in para 14. Savings would eventually materialise but they would lag behind the extra expenditure. Experience shows that though any loss of its share of RSG resulting from a fall in the numbers of pupils at its maintained schools ought to spur an LEA to make savings, practical and political considerations inhibit some LEAs from making those savings, or making them quickly.

19. Second, insofar as the movement of parents out of the maintained sector created pressure for higher standards within it, this would generate some extra expenditure by LEAs with a view to

making unpopular maintained schools more popular. Fixing the value of the voucher at the national average for the phase in question would make it relatively more valuable in areas where the average place in a maintained school cost less than the national average. In such a situation the LEA would have a special reason for increasing expenditure on its maintained schools so that they could better compete with the independent schools participating in the scheme. The Government would, as now, influence the level of such expenditure through the RSG and the arrangements for abating it; but it could not control it.

20. Third, there would be extra public expenditure in respect of those children who would otherwise have been educated wholly at their parents' expense. It would not be practicable to exclude those already at independent schools from participating in the scheme since their parents could readily circumvent any such exclusion. As Annex A explains, the extra cost of the dead-weight would be reduced by the exclusion of boarders, pupils domiciled abroad, and certain independent schools who would not wish, or would not be allowed, to join the scheme; and by making the voucher (if spent at an independent school) subject to tax or a special means test; and could be further reduced by confining the scheme to one phase of schooling; and by introducing it gradually, starting with a particular age or phase. But we should remember that some of these measures would reduce the use which parents made of this part of the scheme and thus its effectiveness and popularity. This issue affects the choice of means test; if the voucher were taxable, well-paid and rich parents could get some benefit from it. If the means test used for the Assisted Places Scheme were adopted, parents with an income above a certain level would receive no benefit at all.

Capital Expenditure

21. Most independent schools now have few spare places, and over the last few years new independent schools have opened at roughly the rate at which existing ones closed. Until the national scheme was well established and was seen to be durable, the commercial and political risks of starting up a school, or substantially expanding

an existing school, would be likely to deter entrepreneurs, charitable trusts or groups of parents from the capital expenditure necessary to meet the parental demand created by vouchers. It seems to me inescapable that, at the outset, those wishing to incur such expenditure should have access to a fairly generous government guarantee for their capital expenditure, though I recognise that the guarantee would be called off if the scheme or the school in question were unsuccessful.

Financial mechanism

22. Many LEAs would resent a scheme which helped private education. It might not be easy to ensure that all LEAs co-operated in operating the first limb of the scheme, eg that they issued vouchers and paid the participating schools the amounts represented by the vouchers spent there by parents. Alternatively this limb of the scheme could be operated entirely by the Government. But this would mean a substantial increase in civil servants and would make it harder to fit conveniently into the arrangements for the second limb. If the vouchers were taxable, there might be a case for operating the scheme entirely by the Government through the tax system.

23. The cost of vouchers spent at independent schools would be most conveniently financed out of an earmarked Government grant, payable as a specific grant (not necessarily at a 100% rate) if LEAs operated the scheme.

Manpower

24. It would be necessary to establish that every participating school satisfied the conditions of participation. Without becoming either vexatious or pettifogging, this process would still entail a substantial increase in central inspection which would have to be relatively far more intense than in relation to maintained schools since Government would be more directly responsible both for standards and for the expenditure of public money. There would also be extra work on enforcing the conditions. Machinery would also be

needed for appeals against exclusion from the scheme. Although schools of known high quality would not need frequent and thorough inspection, others would. HMI would have to be substantially enlarged and recruiting procedures speeded up; and it would not be easy quickly to find enough additional inspectors of the necessary calibre and expertise. There would also need to be substantial increases in other staff.

Limitations on the scheme

25. I do not propose to apply the first limb of the scheme to education before age 5, or to handicapped children who are the subject of a Statement under the 1981 Act. After the compulsory period, many children now continue their full-time education in colleges of further education. I do not at present envisage that the voucher scheme should cover those that do this, because the maintained colleges of further education are not generally a cause for dissatisfaction.

THE SECOND LIMB OF THE SCHEME

The problem is financial

26. At present an LEA (in the case of a county school) and the governors (in the case of a voluntary aided school) are relieved of the obligation to give effect to the preference expressed by a parent for a particular school if to do so "would prejudice the provision of efficient education or the efficient use of resources". This relieves the LEA or governors from the obligation to create new places at an oversubscribed school if places are available in other similar schools in the area. But provided it is willing to spend extra money for the purpose, the present law permits the LEA to do this in the interest of more open enrolment; and Kent have begun to do this in one part of their area by expanding certain popular secondary schools. The discretionary assistance which some LEAs give to transport of pupils to and from school (which is often limited to pupils attending denominational schools) is also another

existing instrument for securing greater parental choice of school. Plainly no LEA would wish to use its freedom to do this so as to make a school too large for good education. But within this kind of constraint, money is the main present obstacle to more open enrolment in many areas.

27. Measures to achieve more open enrolment may give rise to extra expenditure under the following heads:

- (1) Capital expenditure for creating additional places at an oversubscribed school.
- (2) Additional current expenditure on staff and other items in respect of the newly created places.
- (3) Additional expenditure on school transport to facilitate enrolment from further afield, particularly in more sparsely settled areas.
- (4) Higher costs per pupil in the schools which are increasingly undersubscribed, until such time as they can be closed, so that quality of provision does not suffer unacceptably. (These are the familiar diseconomies of scale which accompany falling school rolls.)

As noted in para 14, the savings achievable from taking out of use the surplus places in the undersubscribed schools lag behind the extra cost; and any extra expenditure on school transport is likely to be a permanent net addition.

28. The encouragement to LEAs to spend extra money for more open enrolment would have to be via a specific grant, since the mechanism for distributing block grant does not permit directed assistance to LEAs for such expenditure at a uniform rate.

Local schemes

29. I envisage a discretionary power enabling the Secretary of State to pay grant to a LEA towards the cost of implementing a scheme for its area approved by him for the better satisfaction of

parental preferences expressed under the 1980 Act, provided that he was satisfied that the scheme did not prejudice the efficient use of resources. It would be for each LEA, if it wished, to propose a scheme, in consultation with the governors of voluntary aided schools maintained by it, and he would approve it only if he were satisfied about the proposed use of resources, and subject to any conditions imposed by him to that end. The scheme could apply to the whole or parts of the LEA area, and to all or specific phases or categories of school. The total specific grant, which might be at a rate of 75%, would represent an addition to the total of Exchequer grants to local authorities. But it would be cash-limited, and this would in effect determine the rate at which schemes were approved, their scope, and the rate at which each LEA would implement an approved scheme.

30. I envisage that:

- (1) Some LEAs would not in practice secure approval for a scheme, (assuming they sought it, and some might not) because too few of the schools they maintained were seriously oversubscribed; or because there were too many surplus places in the schools they maintained; or because the proposals did not appear to achieve more open enrolment in a way which gave value for money.
- (2) A scheme would be approved only if the LEA set out its proposals in some detail, including an upper limit for the number of places to be added to each oversubscribed school; a lower limit of filled places for each undersubscribed school which, if breached, would oblige the LEA to submit proposals to the Secretary of State for closing the school under the 1980 Act (which he would consider on its merits in accordance with the Act); its policies on assistance over school transport; and its policies in regard to provision (eg in relation to staffing and the curriculum) at undersubscribed schools which it would continue to maintain.

- (3) It might sometimes be a condition of approval that the LEA considered a reorganisation of some of its school provision and submitted statutory proposals in the light of that consideration, or took other steps to take surplus school places out of use eg by removing temporary accommodation or closing down parts of a school.

31. A discretionary power of this kind would not be easy to operate both effectively and fairly, and guidelines would have to be established on certain matters. I think it would help to limit the scope of the grant to current expenditure arising from the creation of new places at existing schools and on assistance with school transport (items (2) and (3) in para 27). To pay grant towards high unit costs in schools where rolls are falling (item (4) in para 26) would be too open-ended for comfort: it would be impossible to establish whether such extra expenditure would have been incurred anyway by the LEA in the discharge of its responsibilities.

32. Where a scheme was approved it would also be necessary to allow the LEA or the governors of voluntary aided schools to incur the extra capital expenditure involved in creating new places. This would mean some addition to the amount of capital expenditure which LEAs are allowed to incur and some increase in the 85% grant paid to voluntary schools towards capital expenditure incurred by them.

Public expenditure aspects

33. The cost of the second limb of the scheme would depend on the willingness of the LEAs to submit proposals (and find 25% of the cost) and on our readiness to approve them. The current cost of each additional school place is likely to be somewhat less than the average cost per pupil, which is now £750 for primary pupils and £1,040 for secondary pupils aged 11-16. After allowing for some extra expenditure on school transport, additional current expenditure of say £10m in the first year might secure about 20,000 new primary places or about 15,000 new secondary places in over-subscribed schools. To secure the same number of new places in subsequent years would entail a growing increase in expenditure

rising to £50m in year 5. (There would gradually be some off-setting savings from taking surplus places out of use, but they would lag well behind.) The capital cost of the extra places, spread over several years, might be up to £250m if they were primary and up to £300m if they were secondary. Some of the extra capital expenditure might prove nugatory if the extra places became surplus because parental preferences had changed. All these figures are at current prices: by way of comparison, I estimate that, on our present expenditure plans, falling school rolls will yield an annual saving of some £200m by 1985-86. The second limb of the scheme would also entail some extra manpower in central and local government.

PILOT PROJECTS

34. If we decided to aim at a national scheme on these lines, we would need first to familiarise parents, the public, and many of our own supporters, with its essential concepts, and to show that it was administratively practicable and educationally virtuous. DES Ministers would be ready to undertake the extensive political campaign needed. But what we said would carry much more conviction if we could show that it worked on the ground. This is best done by local pilot projects which extend the process of familiarisation; test the underlying assumptions of the national scheme; and throw light on the practical and other problems that we might encounter in that scheme. While many of our supporters are sceptical of applying the voucher concept nationally, fewer would, I believe, oppose trying it out through pilot projects.

35. We do not know whether any LEA would be prepared to undertake a pilot project if it were formally invited to do so. But after informal and confidential discussions at the political level, Kent have gone so far as to send me a memorandum, reproduced in full at Annex B, which illustrates the uncertainties requiring resolution before this LEA, or another, could be expected to mount such a project. There are other LEAs whom we are prepared to approach. But if in the event no LEA were willing to come forward, we would then need to consider whether it would be possible to go ahead with the national scheme.

Choice of Areas

36. We would need to entrust the pilot projects to LEAs who were willing, indeed enthusiastic. Since the two limbs of the national scheme are politically inseparable, the pilot schemes would have to test both. But it would not be feasible to compel a LEA to operate the second limb, nor for the Secretary of State to operate it if the LEA refused; in either event there would be serious damage to the relationship between central and local government. Moreover only a willing LEA could hope, given the inevitable teacher and political opposition, to make a success of the project and to persuade existing independent schools, and those who might be induced to establish new ones, to participate in the project to the extent necessary to make it succeed.

37. These considerations limit the choice to Conservative-controlled LEAs. Others could not, I believe, be persuaded by financial inducements to abandon their ideological objections. This means that we would be unlikely to stimulate a pilot project in an inner-city area. But we should try to pick at least one LEA which is largely urban.

38. It seems essential to conduct at least 2 pilot projects. We need to test the national scheme in more than one region and not only with LEAs from that minority who, like Kent, still operate selection in their secondary schools; and the projects should, between them, extend to both the primary and the secondary phase. Moreover no LEA will wish to be the only guinea-pig. Those who accept this role will wish to be seen to be invited to take it on by the Government.

Cost

39. We should assume that any LEA pilot project would extend only to a part of its area, but one sufficiently large to make the exercise worthwhile and meaningful. Subject to that, the pilot schemes would as far as practicable mirror the national scheme, and

also consist of 2 interrelated limbs. They would need to last 5 years to permit the proper evaluation, and we would have to be ready to terminate a project prematurely if it went seriously wrong or the LEA wished to pull out. The cost of the first limb of the projects would be means-tested on the same basis as under the first limb of the national scheme, and would be considerably affected by the extent to which spare places already exist in the area's independent schools; the dead-weight cost in that area; and the extent, if any, to which new places were created at existing or new independent schools, with or without a Government guarantee for the capital expenditure involved. But I doubt if this limb of a project would cost more than about £1m in the first year, apart from capital guarantees.

40. The second limb of a project - promoting open enrolment - would in principle be limited by what one chose to spend. The cost would depend on whether the project related to the primary or the secondary phase, or to both. But £1m of current expenditure in the first year might secure an extra 2,000 primary or an extra 1,500 secondary places, with perhaps some allowance for extra transport costs.

41. These necessarily very approximate calculations suggest that by the 5th year 2 pilot projects might involve extra current public expenditure of £20m, somewhat reduced by the savings from taking out of use surplus places at unpopular schools, plus perhaps £25 - 30m of capital expenditure, and a further £5m on guarantees, over the 5-year period. There would also be some increase in manpower at national and local level.

Financial Mechanism

42. Government assistance for the extra current expenditure for pilot projects, like finance for the national scheme, could not reach the LEAs concerned via the block grant mechanism which is not capable of acting as the channel for such specific subsidies to particular local authorities. For the pilot projects too the grant

would have to be specific. It would be natural to use the same rate for both ie 75%. This would give the LEAs sufficient financial stake to make unnecessary detailed supervision by the DES, and would make it easier to justify singling out certain parents in the pilot LEAs for the benefits conferred by the project. It would be necessary to ensure that extra expenditure eligible for the specific grant did not involve the pilot LEAs in loss of block grant, eg through hold-back. Requiring a 25% contribution from the pilot LEA would also establish how far the LEA wished to take advantage of the fact that the Government could not get pilot projects going except on terms acceptable to the pilot LEAs. A 75%/25% split would make pilot projects a partnership in which the Government provided most of the money and monitored the result, but the LEA managed nearly all the details and took responsibility for managerial effectiveness and value for money.

Independent Schools

43. Under existing law, independent schools have a statutory relationship with the State not via the LEAs but via the Secretary of State. As in the national scheme, responsibility for admitting independent schools to a pilot project would rest with the Secretary of State (though the pilot LEA could solicit applications and make suggestions to him) on the basis of criteria and standards determined by him. This function would call for additional staff in HMI and the rest of DES, and throw light on the implications of the national scheme for HMI manpower.

LEGISLATION

44. Legislation would be required to introduce both limbs of the national scheme eg to empower the Secretary of State to lay down and enforce standards for participating independent schools; to oblige LEAs (or empower him) to run the first limb of the scheme; to empower him and LEAs to operate the second limb; and to create the necessary new financial mechanisms. Legislation would also be needed for the pilot projects eg to empower the Secretary of State

to assist the LEAs concerned and to make secure the legal basis on which the LEAs piloted the first limb of the national scheme.

45. I doubt if it would be wise or practicable to legislate for the national scheme and pilot schemes in the same bill. By definition, the pilot schemes are intended to test the feasibility of the national scheme. We would need to have a clear idea about the national scheme before we supported pilot schemes, otherwise the latter would lose much of their value. But we would have to be ready to alter our ideas about the national scheme in the light of our experience of the pilot schemes. I therefore envisage that we would seek to enact the bill for pilot schemes in the first session of the next Parliament (which would not rule out publishing it towards the end of this Parliament and even enacting it if the Parliament is long enough). I envisage an interval of perhaps 3 years between the enactment of this bill and that of the bill for the national scheme; but the date of the latter, and its implementation date, would depend on the progress of the pilot projects.

GENERAL CONSIDERATIONS

46. I recognise that my proposals entail additional public expenditure at a time when we are planning to reduce it. I would however advise against linking with them measures for savings which we would not otherwise have pursued, since this would add to the political difficulties of making the proposals acceptable to the electorate. But there are already measures for savings which we are, or shall be, pursuing. I would hope that we might agree to give first claim on these savings to a change in our schools system which I regard as central to our philosophy and policies.

47. It is incontrovertible that the change would increase parental choice, and thus the parent's sense of responsibility for the education of his children. But there is room for argument about how far the change by itself would improve standards. To a limited extent, it would help to satisfy preferences which ought, if

possible, to be satisfied but which do not in themselves have educational standards in view. For example some preferences are aimed at securing a place in a single-sex or denominational school. It could also be argued that my proposals would encourage and tend to perpetuate a polarisation between good and bad schools, with the latter getting gradually worse. It could be argued that parental perceptions of what makes a school good or bad are often wrong because many parents are not well placed to make that judgement or have too limited or slanted a view of education, or judge education in relation to their own experience of it as pupils and students. I do not share such views. They certainly cannot be proved. But they cannot be disproved either. Attitudes on this matter are influenced by our philosophical convictions and by how we define standards.

48. At all events I would not claim that my proposals would by themselves raise standards as I would wish in the maintained schools since other measures, such as the policies outlined in para 3, are needed to bear on such matters as the overall quality of teachers and the effectiveness of their deployment. But my proposals have great potential for reinforcing these measures. Whether this potential would be fully realised only time could show. If all went well, parental pressures on and involvement in the maintained schools would make all LEAs and schools more determined than many are now to secure a performance which, *mutatis mutandis*, could stand comparison with that of the better independent schools, and so make it impossible for our political opponents to abandon the national voucher scheme if they came to power. But we would need to do all we could to counter the risk that parts of the maintained sector might become sullen, demoralised, and content to provide only a second-rate schooling and to meet only the aspirations of parents with a narrow horizon.

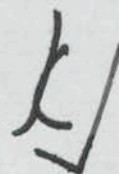
49. One of my colleagues remains sceptical about the national scheme. He points out that it must remain uncertain whether we would succeed in establishing the scheme: and that we can predict with certainty the additional problems for schools which would derive from making them once again the object of prolonged and

bitter political argument and disruption. We might have ten years of argument and fail to establish the scheme in the end. Equally he remains to be wholly convinced about whether the scheme would actually work. None of us, however, doubts that the only way to settle the argument is to do a thorough-going pilot scheme. And even the doubter would be delighted if the pilot scheme showed his doubts to be unfounded.

50. Finally there is an awkward issue of nomenclature. People are getting used to the term "voucher" and I have used it in this paper. But my proposals are not about a new kind of educational entitlement exemplified by a special kind of cheque (which is what one would have in a market-type regime of the kind referred in para 6). They are about wider parental choice and the mechanism for securing it would give parents a booklet of information, rather than a piece of paper resembling a cheque. Calling these proposals a voucher scheme could confuse the public and expose us to the ridicule of our opponents. But changing the terminology could also cause confusion and mockery. What seems clear is that if we were to change it, we ought to do so soon.

CONCLUSION

51. I should like to be able to announce fairly soon that the proposed pilot projects and national scheme are under consideration, for possible legislation in the next Parliament. I should value an early discussion of my proposals with you, and subsequently with other colleagues most directly concerned.



5 November 1982

THE "DEAD WEIGHT" COST OF VOUCHERS

1. On the face of it, the full extra cost of giving vouchers valued at the average unit costs in the maintained sector to all parents already using the independent sector would be about £500m at 1981/82 prices, made up as follows:

	£m
217,000 primary x £750	163
215,000 secondary (11-16) x £1040	224
67,000 secondary (16-18) x £1650	<u>111</u>
	498

At 1983/84 prices, this initial gross figure would be about £560m. However, there are various factors which point to the actual "dead weight" cost being about half of this or less.

BASIC REDUCTIONS

2. Not all schools would wish to participate in the scheme. On the basis of experience with the assisted places scheme, about 20% of independent secondary schools would not wish to participate. There is, perhaps, the likelihood of greater interest in the primary sector with, say, only 10% of such schools taking a similar line. Overall, this would reduce the gross cost by some £100m.

3. At the same time, some schools (probably none of those discussed in paragraph 2) are likely to fall short of the minimum standards required for participation. Under the former non-statutory "recognition as efficient" arrangements, about 15% of secondary schools and 25% of primary schools were not so recognised. Applying the same proportions here would indicate a reduction in the gross cost of some £100m.

4. Vouchers would presumably not be available to children from overseas whether or not their parents were British nationals (but see paragraph 7 in relation to children from Service families etc). The saving in respect of the 35,000 children involved would be about £40m but many of these children would be in schools discounted under paragraphs 2 and 3 above. Perhaps no more than £20m would be saved here.

5. The coverage of vouchers could be limited to non-boarding places only. There are 126,000 independent boarding places indicating a saving of £140m. Many of these places would, however, be in schools excluded by paragraphs 2 and 3; and some of the boarders would, in any case, be excluded by the overseas criterion in paragraph 4. The savings under this head could be only about £70m.

6. Taken together, paragraphs 2 to 5 indicate a possible saving of about £290m on the initial gross cost of £560m. Given the approximations involved, it would be best to represent this as an approximate halving of the gross "dead weight" costs. Savings of about 50% are also found if the primary and secondary sectors are treated separately (see paragraph 11).

7. It is conceivable that some further savings may be possible on, for example, the assisted places scheme (which will cost about £40m a year when it is fully implemented) and on the £40-£50m paid each year by MOD and FCO to their employees as boarding school allowances. Another potential source of savings is that part of the £130m spent by LEAs taking up independent school places other than in relation to "special educational needs". Where these places are justified on the grounds that LEAs cannot make suitable provision in schools they maintain themselves, however, the places would need to go on being provided free of charge. How much would be saved by these means is hard to quantify and would in any case depend upon policy decisions that are in themselves potentially difficult. This paper has not made any assumptions at this stage about these additional factors.

FISCAL REDUCTIONS

8. The eventual gross cost could be further reduced by fiscal means. Simply making the voucher taxable if it were redeemed at an independent school would yield savings of about a third leaving a net cost of about £200m. If a greater clawback at higher income levels were required, a specific means test could be applied. A quickly tapering means test on the lines of that used for the assisted places scheme could yield savings of about 80% leaving a net cost of about £55m. A suitable means test could be devised to meet whatever results were required but the greater the clawback, the more difficult it could be to present the voucher as a real agent of choice. A specially devised means test would be more expensive in public sector manpower than making the voucher taxable.

EXTRAPOLATIONS

9. These tentative figures relate only to the dead weight cost on the introduction of a voucher scheme. They could not be readily extrapolated. The voucher would presumably be attractive to a number of low-income families from whom any clawback under paragraph 8 would be low. In addition, the availability of vouchers only at certain schools willing and suitable to participate in the scheme seems bound to lead to increased custom for them at the expense not only of the maintained sector but also from other independent schools.

10. The initial impact, but not the overall cost, could be further mitigated by phasing the introduction of any voucher scheme.

SUMMARY

11. For convenience, the various figures discussed in this note are repeated here, with a breakdown between primary, and secondary sectors. As indicated in paragraph 6, the approximations and assumptions involved mean that these are best presented in fairly round terms.

	£m at 1983/84 prices		
	Primary	Secondary	Total
Initial "dead weight"	185	375	560
<u>Less</u>			
Non-participating schools	20	80	100
Unsuitable schools	45	55	100
Overseas pupils	7	13	20
Boarders	<u>20</u>	<u>50</u>	<u>70</u>
<u>Total savings</u>	<u>92</u>	<u>198</u>	<u>290</u>
"Dead weight" less savings	93	177	270
"Dead weight" after tax	61	119	180
"Dead weight" after steep means test	19	36	55

Original

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VOUCHERS
DRAFT SCHEME

1. The main objectives of a Voucher scheme which are common to both central Government and ourselves are:
 - (a) increased parental choice between all kinds of schools;
 - (b) increased and direct accountability of schools to the parents;
 - (c) increased accountability of the teaching force for what they do;
 - (d) increased parental involvement in the education process and at schools in particular;
 - (e) increased parental satisfaction;
 - (f) increased responsiveness of schools to parent wishes;
 - (g) the improvement of educational standards as a direct result of the need to compete for and hold a parent's custom, but also through increased parental involvement; and
 - (h) increased diversity in schools to provide a more exact match between the needs of children and schools provision.

2. Three objectives have also been identified by central Government from which Kent under its present political control would most certainly not dissent:
 - (a) an increase in the responsibility for their children's education of the individual parent or family, and a corresponding reduction in their dependence on bureaucracy or the State;
 - (b) if there is to be community support for education through central government, in equity all children, whatever their choice of school, have a right to the same measure of community support;
 - (c) increased possibility for parents to add to on a regular basis from their own resources that amount which the community itself contributes and to do so without forfeit.

(These could, however, be an element of drawback of the Government so desired)

3. The County Council has identified a further objective and is pursuing a pilot study of its own to elicit its value:
 - ~~(a)~~ ~~(b)~~ increased decentralisation of financial control to schools with a view to improving value for money.

4. Ultimately there may of course be savings to the public purse if an increased number of children seek places in the private sector. It may also be possible to substitute vouchers for at least the schools element of the RSG. But these are longer term objectives which need not be identified at present.

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5. The objectives identified above in paragraphs 1 to 3 will need to be made operational and monitored in any pilot. ~~Of necessity they may not all be made operational in the first phase of the pilot, largely for technical reasons, but the great majority should be.~~ The exact timing of the steps to render some of these objectives operational needs to be determined but, subject to agreement with the Government and at its invitation to prepare a detailed scheme, the Kent County Council would look to start such a scheme in one part of the County in September 1984. The scheme would be known provisionally as the Government-assisted Open Enrolment Scheme and would involve new entrants in that year to both state schools and named independent schools receiving a voucher for the whole or part of their education depending upon the sector in which their parents sought to employ their voucher.

6. While every effort would be made to meet a parent's first choice, it should be understood quite clearly by all concerned that this may not be practicable, either for reasons connected with the physical plant of the school or because Governors may decide that they do not wish to enlarge the school which they govern. It must be accepted that there will remain such a thing as the over-subscribed school and that not every parent will be able to have his first choice.

7. So far as the state sector is concerned the voucher would be financed very largely from a mixture of rates and grants, precisely as "free places" are now financed. There would, however, be certain start-up costs involved in a move to more open enrolment and these, together with certain administrative costs and the "deadweight"

cost of existing independent school places would be borne by the Central Government by way of a direct grant.

8. If the Government wished Kent to operate a system of clawback on those vouchers cashed with independent schools, this could be done through a special grants mechanism which would involve additional administrative cost.

9. The transport policy of the local education authority would remain unchanged for the area concerned in the pilot.

10. This area would probably consist of those areas in West and North West Kent where 11 is the normal transfer age and where there is no subsequent transfer at age 13. This would involve secondary schools in the greater part of the Sevenoaks and Tunbridge Wells Divisions, the Tonbridge part of the Tonbridge and Malling Division, and probably also the greater part of the Dartford Division. This area would provide parents with a reasonably wide choice of state and independent schools and, so far as the state sector is concerned, would involve 10 grammar schools (four with a technical high school tradition) 12 modern schools and 4 comprehensive schools. If the Church of England and Roman Catholic Church were prepared to take part, two further comprehensive schools could be added to the scheme. Very roughly, one fifth of the County's secondary schools would be involved.

11. The Authority would identify those independent schools to be approached with a view to taking part in the scheme and has in mind those either in the *area* or within easy travelling distance (say one hour's journey) of it. It is for consideration whether those children attending independent preparatory schools covering the age range to 13 should be helped in the last two years of their course, but in principle it would seem desirable to do so.

12. The vouchers would be issued to all those known to us from their attendance at Kent's own schools and would be claimed by the remainder from Divisional Offices. Those who lived outside the voucher area but wished to exercise their rights under the 1980 Education Act to be considered for places *in maintained schools* might also claim a voucher from Divisional Office. Effectively, therefore, the voucher scheme would substitute for the present system for allocating places where state schools were involved. The County Treasurer will need to consider the arrangements for honouring the voucher where it is cashed at an independent school and as part of that consideration will need *to consider with the independent schools involved* the most economical and efficient way of making payment. Clearly, the vouchers can only be cashed at a school and in return for a complete educational package.

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13. The voucher would probably take the form of a booklet with explanatory material, a form indicating at which school the parent wishes to cash his cheque and at least one alternative should the school in question be over-subscribed, and three cheques. The latter would certainly be used termly at independent schools, and might be used (probably at the school's discretion) in the same way in the State sector. I make this last point since they could then be linked in some way to a parental presence in the school, perhaps at an open evening or a report evening, and so strengthen parental involvement in their children's education.

14. Procedures would have to be elaborated for the parent who lost or failed to produce his voucher at a school, and this might well have to involve our EWOs.

15. Because we have both selective and non-selective schools, provision would have to be made for a code letter to be placed on the voucher in association perhaps with an individual number for the child to indicate whether the child is selective or non-selective. The parents would be informed separately of the result of the selection test if taken and a clear indication given in the explanatory notes of which schools were available only to a child in one or other category. The intention would be to computerise the whole operation as soon as possible.

to explore the advantages of

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16. So far as the state sector is concerned there is no difficulty in providing a place automatically for a child that is appropriately qualified under the Procedure for Entrance into Secondary Education at a school which is undersubscribed. Slightly different procedures would be required at voluntary aided and controlled schools but it would seem unlikely that they would actively wish to turn children away.

17. The difficulty comes where the school is oversubscribed, and the Authority would wish here to take account of existing parental preferences as well as those expressed by those seeking entry into the school.

18. This would seem to be best achieved by consideration of the published planned admissions limits for all the schools in the area once the totality of choices was known.

19. Where it was physically practicable, the Authority would, if necessary after consultation with the governors, agree to an increase of up to one form of entry in the intake into any given year. Beyond that figure the Authority would consult with the governing body as to whether they would wish to increase the intake still further. The Authority would itself need to be satisfied that the school could physically do so within site constraints. They would rely on the governors to take soundings from the parents and would ask them to be aware that the latter have chosen the school in its existing form and that it should not therefore be changed dramatically without their being consulted.

20. Where intake into a state school fell below two forms of entry in two successive years, such a school would be considered automatically for closure.

21. Any other ground rules for the scheme which were deemed to be necessary would be defined and promulgated well in advance of ^{it} being put ~~on~~ into operation.

22. Costing the above scheme is clearly at present a matter of guesstimate and will remain so until there can be consultation with the independent and voluntary aided schools among others. It is clear that there will be initial costs both on the administrative side and in staffing the schools. Initially there may be relatively little cost on the building side but provision will have to be made for some expenditure in later years. Again this may well be offset by savings from the closure of schools or the taking out of use of buildings, more particularly if there is a net transfer of pupils to the independent sector.

See note 4
of my memo.

23. The ability of the independent sector to absorb an increase will be dependent on the availability of either government loans or preferably government guaranteed loan finance, perhaps from the banking sector or possibly from the local authority. If it is from the local authority this will need detailed consideration of how the scheme is to be financed and it may be best initially to seek an arrangement with the banks.

24. A calculation of the "deadweight" element represented by the proportion of pupils currently going in to the independent sector may be made first on the assumption of no immediate change and secondly on the basis of a 10% transfer.

25. Some very rough costings suggest that some £2-3m will be required initially to finance the scheme, but detailed work needs to be done on the phasing in the light of paragraph 22.

26. A timetable for decision and work is being prepared for a possible September 1984 start for the scheme with a Schools Sub-committee decision in February 1983. Consultation with the teachers, with governors of voluntary schools affected and with at least the main independent schools which might be involved should take place before that Sub-committee.

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