

C.P. Education

PA p1.

MCS 1/6



10 DOWNING STREET

(4)

Prime Minister

Ferdie Mount's note doesn't deal with the argument that, if you take education out of local authority expenditure something else will fill the gap (eg more social workers) - and given the difficulties in controlling local authority expenditure there can be no prospect of reducing the totals pro tanto. This seems to me an overwhelming objection to an otherwise promising proposal.

MCS 27/5

27 May 1982

PRIME MINISTER

THE FINANCING OF EDUCATION

We spoke about the attraction - and the drawbacks - of returning to something like the old Exchequer Grant for education.

I am rather concerned that in their initial reactions to Keith Joseph's report, Michael Heseltine and Patrick Jenkin should take such a negative view of the possibilities.

There are indeed difficulties about making sure that local authorities would not use the education grant as an excuse for spending more money on other things. But those difficulties were not insuperable under the old system, and are not insuperable now. The Department of Education believes that an education grant, combined with a system of marginal rate penalties, might actually improve the Government's control over local government expenditure.

That may sound optimistic in view of our present problems with overspending, but there is a case for arguing that specific grants are easier to keep control of than a huge block grant. Is it significant that overspending has become such a herculean problem only recently in the era of the fiendish complexities of the block grant? The principle of locating financial control of a service with the body which raises the bulk of the revenue for that service is surely impeccable.

It is argued, by the CPRS and others, that the educational effects of the change would be largely "psychological" and that Sir Keith's proposal to take powers to pay specific grants for various purposes could be considered separately on its merits.

I think the effect would be psychological only in the sense that he who pays the piper may be said to have a psychological effect upon the choice of the tune. The return of the education grant, accompanied by the specific-grant power, might turn out to be an essential step in the decentralisation of power to parents.



No longer would the Local Education Authority enjoy largely unfettered power without responsibility for raising more than a small proportion of its revenue. The relationship between grant and performance would become more explicit. At the same time, the DES would be able to open up, via specific grants payable to independent charitable bodies as well as to local education authorities, alternative avenues for promoting quality in schools: direct-grant nursery and primary schools, for example, as well as the state-aided but not state-owned secondary schools, which provide such healthy academic competition on the Continent and in Northern Ireland.

We are all well aware of the dangers of any form of centralisation, when the powers fall into the wrong hands. We are aware, too, of the DES's lack of practice in exercising direct powers of supervision and control of schools. We have also learned the hard way the risks of over-hasty reform of local government. But to reject out of hand this proposal would be to reject an opportunity to explore what might turn out to be the shortest path to quality in state education. The profound and difficult question remains: can we decentralise power to parents without first centralising some degree of power within the Department of Education?

If we feel that the idea is not yet sufficiently worked out to be included in the legislative programme, there is a good case for carrying out detailed work on its wider implications as part of a longer-term programme to guarantee better standards in schools.

FERDINAND MOUNT

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