

PRIME MINISTER

GRANT-AIDED SCHOOLS

You asked Sir Keith Joseph to work up his proposals for a feasibility study for establishing grant-aided schools.

Sir Keith has now consulted selected colleagues, and his report is at Flag A. He asks whether you would wish the proposal now to be considered at 'H' Committee before further exploratory work is undertaken (ie. with possible charitable sponsors). Oliver Letwin's advice is at Flag B.

Colleagues have reacted well to Sir Keith's proposal, and it seems sensible now to put the matter to 'H' for their approval, and on that basis to make an announcement on the Government's plans.

There are also two policy points which Sir Keith raises at this stage. First, he proposes that an announcement on grant-aided schools should not be linked to MISC 104's work on the inner cities. On the other hand, Oliver Letwin believes that the proposals are particularly relevant to the inner city. Oliver's view that the demand for such places is likely to be highest in the cities must be right, and there is in any case no need to require that grant-aided schools can be considered only in relation to the inner city.

Secondly, there is a question as to whether the charging of a small fee should be part of the scheme. Sir Keith recommends not; Oliver disagrees.

If 'H' is to discuss the matter, you do not need to express a view on these points now unless you wished to.

Content that you should strongly support further exploration of the proposal and ask Sir Keith to put his ideas to 'H' for their endorsement, with a view to an announcement after that?

Duty Clerk

pp MARK ADDISON

10 January 1986

Yes mt

GRANT-AIDED SCHOOLS

The proposal to establish a dozen grant-aided primary schools has received general support from Ministers outside DES, and should now be explored in depth. Since this will involve talking to private sector entrepreneurs and charities, the move will be public knowledge fairly rapidly.

The questions are:

1. Should an official announcement that the Government is considering the scheme be made in due course to avoid inaccurate rumours and leaks?
2. If so, should the announcement stress the inner city aspect of the proposal (as MISC 104 wanted), or make no particular reference to inner cities (as Keith Joseph prefers)?
3. Should the proposal to charge a small fee for pupils attending the schools be dropped (as Keith suggests), or should this be left as a possible feature of the scheme?

Announcement

We believe that it would be sensible to make a low-key announcement in due course: this would put an accurate account on record, and would give our supporters an opportunity to start persuading people of the merits of the proposal.

Inner City vs General Policy

The education seminar showed both that there was an urgent call from your friends for change in inner city schooling and that change in the shires would be unpopular. It therefore seems entirely sensible to aim this proposal primarily at the cities, and to announce it at the same time as the other MISC 104 policies. The scheme could later be expanded to cover other areas.

The DES say that it may be difficult to find people willing to start such schools in the inner cities. We disagree: we believe that there are plenty of people who would love to provide an escape route from ghastly inner city schools. But the only way to tell is to try: it will only become clear whether people will come forward when DES go looking.

Charges

Elizabeth House is characteristically incapable of understanding what this scheme is really about. They describe the nominal fee as "an earnest of parents' intent". What they fail to see - and have not explained to other Ministers - is that the scheme was meant to create a middle way between public and private provision. If people are willing to put a bit of their own money into education, on top of the amount provided by the state, why shouldn't they be allowed to do so? True, this would mean that the schools had slightly more funds per capita than the average maintained school: but no-one would regard this as grossly unfair if parents had contributed out of their own pockets. There could easily be a means-tested rebate of the fee (with a maximum rebate of 80% like the new maximum Housing Benefit) for any parents who had an income below a given level; this would avoid accusations of 'schooling for the rich' (though a fee of £50 a term could hardly be regarded as prohibitive, even if unrebated).

Conclusion

We recommend that you should:

1. strongly support further exploration of the proposal;
2. ask Keith Joseph to announce when the other MISC 104 policies for the inner cities are unveiled that the Government is considering the establishment of grant-aided schools;
3. retain the charging of a small fee as a possible element of the scheme, with rebates for poorer parents.

Oliver Letwin

OLIVER LETWIN

PRIME MINISTER

GRANT AIDED SCHOOLS

1. With your agreement, I consulted selected colleagues on a possible modest experiment in establishing about a dozen new grant aided primary schools as described in the paper at Annex A. I did this, following correspondence, at a meeting on 4 November (a note of which is at Annex B), and now report to you on the outcome, bearing in mind also the interest shown in this in the context of MISC 104's discussions on inner city problems.

2. Generally, my colleagues found the proposal interesting and, in principle, worth exploring further. They made two particular reservations, however, which I should mention here.

- (a) My colleagues saw difficulties in the nominal fee I had envisaged as an earnest of parents' interest. These could jeopardise the success of the scheme. As the fee is not a central feature, I would now omit it.

An 'education unit' could be substituted (i.e. the voucher under a name)

- (b) Before the schools could open their doors, all will ^{no} turn on the willingness of charitable bodies and entrepreneurs to volunteer themselves as promoters for these untried establishments. This will be affected by not only the climate of opinion but also the fine print of the final scheme. If we decide in principle to proceed, further work will be needed on the details of a scheme as will exploration, in confidence, with likely promoters before any announcement is contemplated.

3. You wished to consider whether the proposal should be further considered in H Committee before any such further exploratory work. Since then it has also been suggested in MISC 104 that grant aided schools might be an integral part of our inner

city policies. I think there would be significant difficulties in this linkage, for two main reasons.

- (a) While I would hope that some of the dozen grant aided primary schools could be established in inner city areas, to limit the experiment in this way would remove its intended potential for establishing models of good practice of general relevance.
- (b) It may be too difficult to persuade promoters to take the risk of establishing new grant aided schools in the particularly difficult conditions of the inner cities where the LEA is likely to be hostile.

4. In short, I recommend that the proposal should in the first instance be pursued as a general one, and not primarily for the inner cities; the latter course would risk stifling the proposal at birth without at this stage helping in the inner cities.

5. If you would like to have a word about all this, I am of course at your disposal.

6. I am sending copies of this minute to the Secretaries of State for Wales and Scotland.

R.V.

Department of Education
and Science

9 January 1986

C O N F I D E N T I A L

Grant-aided primary schools

Memorandum by the Secretary of State for Education and Science

1. I ask my colleagues to agree that I should pursue the feasibility of a controversial experiment, designed to help raise standards in primary education, with a view to announcing in our next Election Manifesto our intention to implement it in the next Parliament. If the experiment succeeded, some 2,500 more children than at present would go to good independent primary schools. Parental choice would be increased to that extent. Moreover it would then be open to us to apply the lessons and benefits of the experiment to a larger number of primary age pupils.

2. The proposal is to create a new category of grant-aided primary schools (GA schools), catering for day pupils aged 5-11, which would be privately owned, maintained financially by the Secretary of State and run on principles and lines approved by him. GA schools would be part of the independent sector, but pupils educated in them would normally proceed to LEA-maintained secondary schools. They would be intended as a half-way house between the maintained and independent school sectors and a means of influencing the nature and quality of the maintained sector in the long term.

3. The purpose of GA schools would be to experiment with the circumstances in which a curriculum based on the policies in the recent White Paper "Better Schools" (Cmnd 9469) could be effectively delivered by qualified teachers to children throughout the ability range. One experimental feature of GA schools would be that all parents, except the poorest, would pay a fee of, say, £50 a term as an earnest of their commitment to their children's education and to the school. Other areas

for experiment would include the teachers' pay (freeing the schools from the constraints of the Burnham scales), pupil teacher ratios and class sizes, teaching approaches and methods.

4. So that such experimentation remained relevant to the generality of primary schools, GA schools (1) would be obliged to admit children from their neighbourhood without regard to ability or religious denomination; and would (2) receive from the Secretary of State for their current expenditure in respect of each pupil sums corresponding to the national average current expenditure per primary pupil (including debt charges) incurred by LEAs, with perhaps some local adjustment to reflect eg inner-city factors. The income from fees would be additional but GA schools would not be allowed to charge more than the prescribed fee, although, like LEA-maintained schools, they could receive voluntary contributions from parents and others; (3) would also be required to admit as soon as practicable not less than about 200 pupils, the minimum desirable size for an educationally effective primary school proposed in "Better Schools"; (4) would through their proprietors be responsible for all capital expenditure, though their income from grant and fees could be used to service it.

5. Since existing successful independent schools would scarcely wish to become financially dependent on the Secretary of State, and unsuccessful ones are unlikely to merit his support, GA schools would be new creations. It would be difficult under the scheme to earn a commercial return on capital invested in a GA school, so that GA schools are more likely to be promoted by a charitable trust, particularly one with experience in running schools, than by an entrepreneur. By encouraging the establishment of GA schools in any part of the country, including city areas where parents are dissatisfied with LEA-maintained primary schools, one might aim at setting up some 12 schools initially.

6. The financial support required from the Secretary of State for 12 GA schools of at least 200 pupils each would be of the order of £2m a year, but the cost could be greater if the schools

attracted more pupils than the minimum or were situated in high-cost inner city areas, or took a long time to reach the minimum (see para 8 (3) below). We would need to consider how to find this money in the appropriate public expenditure survey; but the costs could not be offset by savings in LEA-current expenditure, since LEAs could not quickly secure from the places not taken up by the pupils in question savings which would match the cost of each place at a GA school.

7. Since GA schools would be substantially maintained with voted money, the Secretary of State would have to satisfy himself and Parliament, in an atmosphere of controversy, that they would, and actually did, spend the money effectively and secured the standards laid down by him. The arrangements for achieving these objectives would make significant extra calls on DES manpower, including HMI, which could not be met within existing limits.

8. As the main paymaster, the holder of my office would be investing a good deal of political credit in "his" GA schools. The success of the experiment would depend critically on:

- (1) The effectiveness of the likely opposition from LEAs and teachers who would, for example, resent the application to the independent sector of money which they would claim could be better applied to the maintained sector in the interest of raising standards.
- (2) The willingness of promoters to risk money and enter into a politically controversial scheme. We could not guarantee them against the political risk that a hostile Government might abandon the scheme, though we could make abandonment more troublesome for such a Government by promoting the scheme under primary legislation; such legislation is not technically necessary because the scheme could almost certainly be operated through regulations made under existing powers.
- (3) The ability of the Secretary of State to pick for support proposals which would actually result in good

schools - the quality of the head teacher would be crucial. Once he had committed himself to supporting a school, he would in practice find it difficult to withdraw support unless its likely failure to achieve the required size and quality become indisputable; as long as there was a prospect of its becoming successful, the Secretary of State might not be able to avoid giving additional financial support in order to prevent the collapse of a promising project.

9. Since the success of this experimental scheme would then justify its wider application, we would have to be ready to defend our intention of so applying it if it were indeed successful. The public debate about the scheme would therefore relate to such matters as the desirability of extending the independent sector by centralist means and of charging a fee for a State-maintained school. We need to consider the compatibility of the scheme and its wider application within our other educational policies and our policies for local government.

10. In my view, we cannot decide definitively whether to go ahead with an experimental scheme of GA schools until we have explored its feasibility further. Such exploration would require fairly detailed discussions with possible promoters, which in their interest and for the sake of the scheme should at present be conducted in confidence. I have taken preliminary soundings, in strict confidence, from the Haberdashers Company, who run primary and secondary schools in the independent sector and are also responsible for voluntary aided schools in the maintained sector. Their initial reaction suggests that charitable bodies like themselves might be willing to promote and operate GA schools despite the political risk if the terms were right. I would like to pursue the matter with the Haberdashers Company (and probably others) in more detail. But I do not think it right to draw them into substantive discussions, although these would remain without commitment on either side, unless I could tell them that, subject to feasibility, the Government wished to proceed along the lines set out in this paper.

11. I therefore invite my colleagues to agree that the scheme outlined above is acceptable in principle; that I should pursue its feasibility on the basis set out in para 10; and that I should report the outcome to enable us to decide whether to proceed with it. If we proceeded and the experiment proved successful, I envisage the introduction of an analogous scheme for raising standards in secondary education. The much greater scale and complexity of launching new secondary schools make it desirable to experiment with primary schools in the first instance.

CONFIDENTIAL

GRANT AIDED SCHOOLS

NOTE OF THE SECRETARY OF STATE'S MEETING ON 4 NOVEMBER 1985

Present:

The Rt Hon Sir Keith Joseph MP
Mr C Patten MP
Mr R Dunn MP

The Rt Hon Lord Young
Mr J Moore MP
Mr M Ancram MP
Mr M Robinson MP

Mr E R Morgan
Mr R L Smith

1. The Secretary of State welcomed colleagues to the meeting which was to discuss whether it seemed worth pursuing further the proposal for an experimental scheme of grant aided primary schools described in his letter of 15 July. The Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales and for Trade and Industry, and the Party Chairman were unable to attend but had circulated written comments.
2. The Secretary of State briefly outlined the nature of the scheme. It was envisaged that there would be about a dozen new independent primary schools, in a wide variety of locations, as like as possible to maintained primary schools except that the schools would not be bound by Burnham scales and gradings, and there would be no LEA control. The aim was to explore whether, in ways that should in principle be attainable by any maintained primary school, the national policies for the curriculum could be delivered more effectively in the classroom: the Secretary of State felt keenly that too few people realised generally how much better primary education could be.
3. In general discussion, the following main points were made.
 - a. Twelve schools providing some 2,500 places could not be seen nationally as having any significant effect on widening parental choice. Given the resource implications of new provision, it was unfortunate that the nature of the experimentation desired meant it could not be carried out in maintained schools.
 - b. Secondary education might be perceived by both parents and likely provides as the more needy area of experimentation. The greater complexity of secondary schooling and its higher costs could make it difficult to launch the general experiment in this way. If successful, though, it might be extended to secondary schools subsequently subject, as would any expansion in the primary sector, to resource constraints. In any case, the assisted places scheme could be seen as a response to concerns about secondary schooling: primary provision had not had the same sort of exposure.

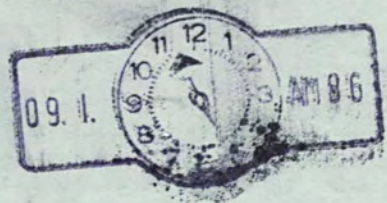
- c. Consistent with the scheme's general aims, schools would not be permitted to select pupils on the basis of ability or religious affiliation. Like county schools, they would be required to accept all-comers: only if they were over-subscribed could they select from the applicants and only then on objective factors such as sibling links and proximity of home to school. There would inevitably be some pre-selection in that only interested parents would apply in the first place. It would be unfortunate for the experiment if these schools came to be dominated by minority groups.
- d. There seemed a potential presentational problem over the proposed fee of £50 per term intended as an earnest of parents' interest. If fee income supplemented the intended per capita funding (set by reference to unit costs in maintained schools), the experiment could be perceived as demonstrating only that schools could be better if unit costs were higher by the 20% that the parental fee represented (even if higher unit costs could be defended, e.g. by reference to the loss of LEAs' central purchasing powers). If, on the other hand, fee income only brought the unit funding up to the intended level, the experiment might be seen essentially as one in ways of reducing the public funds applied to education. A good case could be made for arguing that the experiment could be seen as "proving" something about the nature of provision only if the funding (except for any voluntary contributions) were set at national levels. On balance, the meeting came down against a fee.
- e. The schools would not be money-spinners and it was open to doubt whether entrepreneurs or charities would find the package, with its significant constraints on their freedom of action, sufficiently attractive to risk their prestige and capital resources in the venture. It was clear that the small print of any eventual scheme would be closely studied before interest in principle became more substantial. One of the details would be the intended long-term future for these schools.
- f. The Education Act already gave general direct grant powers to the Secretary of State under Regulations. Like the assisted places scheme, however, it would seem desirable to give these schools the greater protection of specific primary legislation. There could, of course, be no absolute guarantee against the action of some future hostile government: if the schools were successful, though, they should also be protected by intense local goodwill.
- g. The scheme would certainly be controversial, regardless of the eventual line taken on the fee. Opponents would characterise the scheme as a distraction or the thin end of the wedge, and would argue that the resources would be better spent on existing schools.

4. The Secretary of State thanked his colleagues for their views. He would reflect on these matters and, later in the year, report his tentative conclusions to the Prime Minister who would then decide whether the proposal should be explored further in H Committee.

5. Both Mr Ancram and Mr Robinson asked for it to be noted that, if a feasible scheme could be worked out, Scotland and Wales would be interested in participating.

Department of Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

December 1985



B

PRIME MINISTER

9 January 1986

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