

Prime Minister. (2)

This is Oliver's swansong, more or less. You may like to look at it over the week, I think you will want to discuss with DES Minister when you consider their forthcoming 'radical options' paper. MVA 2/2

PRIME MINISTER

21 February 1986

EDUCATION: THE LONG-TERM

If I have understood it correctly, the ultimate purpose of this Government is not economic but moral. You were elected to give back to individuals a greater degree of responsibility for the conduct of their own lives.

In many fields, you have succeeded or have at any rate begun to succeed. In education, you have so far failed.

During the past 6 years, the Government has essentially tinkered with education. True, it has tried to clarify lines of responsibility, to establish clearer tests of performance, and to reduce waste. But this has all been done within the framework created during the '40s, '50s, and '60s: there has been no real effort to change the framework itself. Education is still, fundamentally, a nationalised industry, and has all the characteristics of a nationalised industry: the provider decides what the customer ought to have, largely ignoring what the customer actually wants; the 'management' deals with unions, not with individual members of staff; and every problem is attributed to a shortage of public subsidy.

What Can Be Done?

We have known for years that the only effective solution to this problem is to give the customer real purchasing power. This will ensure that institutions depend for their survival on satisfying the customer. It will create a 'bottom line' quality control - a test that no-one can evade.

The only questions, to my mind, are where, when and how the transfer of purchasing power to the customer can best be achieved.

Your education seminar gave us some of the answers. It was absolutely clear that:

- a. your supporters in the shires see no need for structural change; they are still living in a world of (reasonably) comfortable illusions - wanting only 'more money' to 'solve' the teachers' pay problem;
- b. there was little enthusiasm for a rapid move towards customer-dependence in higher education;
- c. your supporters in inner city schools, by contrast, see a clear need for structural change; they are witnessing gradual takeover by the far-Left, and they know that giving parents real choice and purchasing power is the only way to beat that trend.

This suggests that you should, at this stage, aim firmly at inner city schools.

Since starting work in Hackney, I have become even more convinced that the inner cities are the right target. A school, of which I am a Governor, is about to hold a final interview of two applicants for a grade 3-post; one of these is illiterate; her application form contains egregious syntactical and grammatical errors which make her submission exceedingly difficult to understand. But I gather that she is likely to be chosen for the post, because she has been active in 'multi-ethnic' and NUT work. Similar tales are told by Governor after Governor in the area. You already know what Caroline Cox has revealed about the level of political interference in ILEA schools.

### The Mechanics of a Solution

Inner City LEAs are, of course, part of the problem, rather than part of the solution. They will not co-operate with

any moves to give parents purchasing power. To make any headway, you would need to find some means of by-passing them.

This could be done by:

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- i. offering a new form of 'credit' or assisted place' (ie a means-tested voucher by another name) to all inner city parents, wishing to move their children out of the local maintained schools, independent schools in these areas.
  - ii. giving voluntary-aided schools in these areas the immediate right to declare UDI and to become independent 'grant-aided' schools; (pupils would be given 'fully assisted places' to cover the full cost of fees, and the schools would receive capital grants as at present);
  - iii. promising to give ordinary maintained schools in these areas the right to become independent grant-aided institutions in due course, if the experiment with the voluntary sector worked well.

#### Objections to the Scheme

These moves would require primary legislation, and would provoke intense hostility from both LEAs and the NUT.

You would also have complaints from parents in the suburbs and countryside, who would want to know why their children did not qualify for assisted places.

There should not be any extra costs due to voluntary-aided schools switching to independent grant-aided status, since these schools already receive public funds via the local

authorities, and would now receive the same amount of money  
via parents.

But the 'assisted places' at independent schools could cause additional public spending in the early years, because:

- a. you would be subsidising some (though not much) 'deadweight' - ie inner city parents who already send their children to independent schools in the inner city;
- b. the emigration of pupils out of maintained schools into assisted places at new independent schools would not, at first, bring offsetting savings in the maintained sector, because maintained schools are slow to adapt to falling rolls.

Assuming that the 'inner cities' were defined to cover about 1 million schoolchildren, and that each fully assisted place was worth the average amount now spent per child by the relevant LEA, the net additional public spending might be something like:

Subsidies for 'deadweight' (ie children already at independent schools in the area) - say 2% of the 1 million school population - at average cost of £1,000 p.a., less average 50% mean-tested reduction:  
£10m p.a.

*Dismissed with Oliver*

Fees paid at new independent schools in these areas, <sup>assuming there are no</sup> ~~not bringing noticeable~~ reductions in maintained sector spending - say 5% of the 1 million school population - at average cost of £1,000 p.a. less average 50% means-tested reduction:

£25m p.a.

TOTAL ADDITION TO PUBLIC SPENDING

£75m p.a.

### Advantages of the Scheme

On the other hand, a scheme of this sort would:

- i. introduce customer purchasing power in the inner cities, where it is most urgently needed;
- ii. receive support from large numbers of religious groups and others who either run voluntary-aided schools harassed by inner city LEAs, or would like to set up new independent schools;
- iii. gradually generate helpful vested interests - just as the 'right to buy' has done, since parents with 'Assisted' or 'Fully Assisted' places would want to keep them;
- iv. make it clear that the Government recognised the disastrous condition of inner city schools and was actually trying to do something to help;
- v. make a dent in the far-Left's efforts to take over inner city education;
- vi. act as a pilot for a full national system of 'Credits'.

### Conclusion

Although action of this sort would be controversial and expensive, it might - at last - inaugurate long-term structural change of the kind which the Government has so far failed to achieve.

I believe that the game would be worth the candle.

*Ol Letwin*