

C.B.G.

PRIME MINISTER

HOW TO GET BETTER SCHOOLSWhat is wrong

1.
 - i. England has never had a high quality mass-education system: we have no centralised tradition as has France: no long-established regional culture like West Germany: no high expectations of school standards like the Swiss, the Dutch and the Scandinavians. We believe that too many children of every level of ability are ill-prepared for life as adults, citizens, and at work.
 - ii. HMI are always reporting the low expectations that teachers here have of their pupils. Parents in all too many cases seem content or indifferent in the face of under- even grossly under-achieving by their children. But many parents are gravely dissatisfied with the standards of many of our maintained schools.
 - iii. Only Direct Grant schools and grammar schools offered escape from mediocrity to bright children in the majority of homes - and Labour abolished the former and strangled the latter, now further endangered by falling rolls.
 - iv. So millions of children are trapped in schools that are under no internal pressure to serve them well. It is to such pressure - by way of competition - that escape routes, and to go further, voucher or credit advocates, look.
2. The problem has been made worse by the teachers dispute. Added to this, there is a widespread feeling that -
 - a. the Government is not "in control" of our education system;
 - b. parents are not in control either;

- c. we are not spending enough money on education;
- d. a creasing education system is undermining our present and future international competitiveness.

All four of these perceptions are valid.

- e. the Conservative Government and Party do not care about the maintained schools.

This is not valid, but it is believed.

3. Taken together these perceptions add up to a major political problem. The importance of education has risen in the opinion polls. We are not thought to be handling the issue well. It seems to be a potent recruiting sergeant for the SDP and Liberal Parties.

4. I do not believe that it will be sufficient to put forward some interesting proposals on education in our next manifesto. We should aim to show before the autumn that we have got a grip on education and have positive proposals for transforming it. A coherent set of proposals will neither be credible nor will it work unless we are prepared to invest more money in education. Action could be taken on some of the proposals set out below before the end of the Summer term. But in any event we should aim to launch a sweeping reform package in a statement before the Party conference, perhaps in the shape of a White Paper with green edges.

But we are complaining about what we have already invested

MMM

Objectives

5. We advanced in "Better Schools" a widely applauded series of ambitions but our means of delivering them are woefully inadequate. We must take steps to secure for central government the same kind of financial leverage on the education system that it enjoyed when the 1944 Education Act was drafted. But this is not enough. We need to give still more power and influence to parents. We must have - particularly in some of our cities - alternative schools to those provided by local education

authorities. Escape routes from bad LEA schools should be available to even the poorest parents of children of all abilities, but at the same time we need the power to push local education authorities into improving quality in their schools. We need to be able to manage a better paid, better trained, better motivated teaching force much more vigorously. We also want industry more involved - and permanently too - in our education system.

6. For years we have talked about education as a partnership. We have argued that education can best be delivered by collaboration between central and local government, the teaching profession and parents. This still seems a sensible approach - and the one most likely to secure results - but it bears very little relationship to what we have today. The taxpayer and central government, who pay for much of the service, and the parents and children, who are the customers, have less clout than the producers - the local education authorities and the teachers. We should redress the balance. If we want an effective national policy for education then central government must have more control. If we want satisfied parents and children then parents must have more influence and independence.

7. Given the powers here proposed (paras 18-20) we could cut the waste by some LEAs and ensure that existing and extra money is spent effectively - in education terms. If we had the right structure for education, and the right balance between the partners, these policies might be sufficient. But it is also right to consider radical options for improving the education system.

Radical Options

8. In identifying radical options, one or more of which we might adopt, I have thought it necessary to accept four constraints:

- a. full-time education 5-16 should be compulsory;

- b. such education (plus at least education at school until 19) should be available free of charge;
- c. an effort should be made to secure minimum standards in what is provided;
- d. we should bear in mind the morale of the maintained system since, except under two of the options (and even then for several years), it will be that system which will still provide for the vast majority of children.

9. I attach five technical papers examining in outline five options - some compatible and some incompatible with others - each of which to a greater or lesser extent reduces the part played by local education authorities in schooling:-

Option 1 Transferring responsibility for all education functions now provided by LEAs to directly elected single-purpose authorities.

No - not satisfactory note

Option 2 Transferring to the centre the responsibility for all LEA functions - in other words setting up a nationalised education service.

No. X

Option 3 Converting maintained schools into autonomous bodies competing for parental custom via a system of "credits" - this education credit system is another name for a voucher scheme.

Family - Provision Scheme

Option 4 Creating a new category of school maintained by the Secretary of State and catering either for all abilities or for groups with particular needs.

why a new form of direct grant

These would be called Government Maintained (GM) schools: they would be a new form of direct grant schools. Under such a scheme new schools could be set up by groups of parents, as well as by existing or new charities and by entrepreneurs. Some of these institutions might have a technological emphasis.

Option 5 Extending means tested assistance to pupils at independent schools by expanding the Assisted Places Scheme.

Options 1. (Single-purpose LEAs) and 2. (Nationalisation)

10. I am against options 1 (single-purpose LEAs) and 2 (a nationalised education service). Option 1 would destabilise the structure of local government, but the structural change would not in itself do much for quality in schools. Option 2 would be a huge and complex change and damage local government. It is as likely as not that once the Government became the education service's sole paymaster and principal employer it would prove more vulnerable to pressure to spend, and that the harmonisation of spending - as opposed to standards - expected of a centralised service would level up rather than down. I remain opposed to a nationalised education service because it centralises power and bureaucracy to a degree which runs counter to our political philosophy, and would expose government to blame on every detail of education policy and delivery.

Option 3. A "Credits" System

11. i. Replacing LEA-maintained schools by an education credit scheme would embrace only LEA schooling and not the other LEA functions.
- ii. The essence of this option is that schools would depend entirely on credits paid to them through the choices of parent-customers. (There is no difference of substance between (a) a credit system under which the parents' decision to send a child to a school automatically entitles the school to a stipulated sum - at present the school's income depends on the decision of the LEA - and (b) a voucher system under which the parent gives the school a piece of paper (the voucher) when the child is admitted and the school is entitled to the value of the voucher.)

- iii. Those who argue for such a system believe that most parents wish their children to flourish: they believe that, given a choice - which can never be absolute but can be wider than now - within the state system parents would seek effective schooling and that supply would qualitatively satisfy demand.
- iv. They accept that some parents would be indifferent or would make bad choices. But they say correctly that the habit of choice would strengthen dignity and responsibility - and that anyway there are plenty of bad schools in the state system, despite all our paternalism. They argue that we should give parents the chance - which most do not see that they have now - to secure better schooling than exists in many state schools for their children. But it is possible that, by taking the children of concerned parents out of bad schools, those schools would get even worse than they are now. Credits would thus be for better and for worse: much improvement in some schools; but much schooling continuing to be indifferent as now; and some made worse.
- v. Long, complex and controversial legislation would be needed. A network of state agencies would be required for a host of functions: to define and make credit payments: to settle capital grants: to monitor standards: to cope with rejected pupils: to cope with truants: to provide special schools: to provide for under-5s: to manage the obsequies of failing credit schools: to monitor the 1944 religious settlement, and other functions as well.
- vi. No credit system has been established anywhere. So we naturally in 1983 envisaged that any national credit scheme would be preceded by pilot experiments. We would therefore have had up to 5 years of drafting, legislating and preparing for the Appointed Day:

followed by a 5-year period for a voluntary (if any takers came forward) pilot scheme.

vii. Even an experiment would need complex legislation. Success would probably only be achieved by creating untypically favourable conditions - and failure could well be due to nationally organised opposition frustrating a local venture. To move without a pilot stage direct to an imposed system would be a disproportionate educational and political risk. Yet an experiment would be no good - it's all or nothing.

viii. There would certainly be hostility from LEAs (Tory included): most parents could be misled and scared: our own party would be split: and nearly all teacher unions would be passionately opposed and union officials would intensify member demoralisation just when our other initiatives call for enthusiasm and cooperation.

ix. Moreover only a minority of parents would be eager for the scope being brought. Another large minority is broadly content, even complacent, about standards. Most teachers think that more money for them and for schools is all that is necessary. Vouchers would be unlikely to touch the complacency that is rife in our worst schools.

x. It so happens that Arthur Selden, that credits crusader, has just published a denunciation of my timidity. The book - "The Riddle of the Voucher" - contains many valuable perceptions. In particular it sketches differing forms of vouchers to meet various problems. But the book errs, it seems to me, on three main counts:

(a) it assumes some charging:
and we so far have turned our backs on this;

(b) it underestimates the hostility;

and (c) it presupposes, despite such hostility and without evidence, an abundance of school initiators and managers.

12. Despite my original interest in its possibilities, I believe it is now clear that the prospects of a practicable and affordable credit system are dim, simply because of the three constraints that have to be imposed on the operation of the market - compulsory schooling, free schooling and minimum standards of quality. These were the constraints which we felt bound to accept when we looked at vouchers in the last Parliament. I am therefore driven to the conclusion that we must now drop credits. We cannot run them simultaneously with measures to revitalise an LEA-maintained system. *Not work*

Option 4. GM Schools

13. i. This option opens up exciting new possibilities. It would widen choice. The schools could be selective or not. We would require them to provide the curriculum we want which for all schools will of course have a technical component. Some might specially emphasise the technical element within a broad curriculum.

ii. All GM schools will be required to satisfy minimum standards and to make no charge. They would be financed by central government at standard rates. To give ourselves the best chance of a good crop of GM schools we should try to use every variant of this flexible concept. We would look to the Livery Companies and existing charities. We should certainly try to interest business sponsors in setting up new charities.

iii. One idea would be a business-sponsored trust which would set up a dozen GM secondary schools in the inner cities, each one with a strong emphasis on the technical element of a broad curriculum.

*Village
schools*

- iv. GM schools might also be set up by groups of parents provided that they could form themselves into a trust capable of accepting enduring responsibility for the school, including compliance with curriculum, quality and no charge - as opposed to voluntary gift - conditions. This might appeal particularly to religious groups or in villages or the inner cities.
- v. The best prospect for establishing GM schools on a substantial scale at modest extra cost probably lies in transferring a substantial number of aided schools to a new semi-autonomous status. It would be necessary to persuade the churches and other voluntary bodies of the advantages.
- vi. But aided schools in the cities at least tend to be more popular than county schools in terms of perceived standards and discipline, and changing the status of some aided schools might do less to serve our objectives, particularly in the cities, than changing the status of county schools. The latter would require the Secretary of State, after public consultation, to require a LEA to transfer a county school into the GM school category with or without compensation. It is an open question whether we shall find enough groups of people (parent groups and charities - existing and new) with the will, capacity and long life needed to assume the duties of ownership, financial liability and the responsibilities of employing all the staff, particularly in those areas where we would most want to see them established. Potential volunteers might be put off by the political risk of a change of government and the hostility of LEAs and teacher unions.
- vii. Legislation would be needed for most variants of this option.

viii. Despite the difficulties, my conclusion is that we should put GM schools firmly on our agenda and should move to establish as many such schools as we can - the number is likely to be limited initially.

Option 5. Extending the Assisted Places Scheme (APS)

14. i. We could either seek to keep the APS on a scholarship basis limited to the secondary phase, and so perhaps rather more than double its planned size and cost. Or we could lower the standard set for participating secondary schools and extend the scheme to primary schools, which might quadruple the size and cost. The limits are set by the number of satisfactory, willing-to-participate independent schools.
- ii. Under the latter approach, which would require legislation, the APS would cease to be a scholarship scheme, bring much more of the independent sector within the ambit of state financial support, and to a much greater extent subsidise pupils who would otherwise have been educated at private expense (the dead weight effect). There would be little prospect of off-setting savings in the LEA maintained sector.
- iii. Expansion of either magnitude would increase consumer choice and responsibility and the opportunity to benefit from education. But it would cost money, some of which would not give good value because of the dead weight effect.
- iv. In logic it might be argued that we should not expand the APS if we are to launch GM schools because in some areas the APS might take away pupils whom we should like to see in the GM institutions. But I wish to see a pluralist approach to our problems and believe that there is scope for both initiatives. I therefore recommend extending the APS retaining its scholarship

character. We might stop short of the maximum potential for expansion (doubling its size). Independent schools will also benefit from the new tax treatment of gifts to charity.

The LEA Sector

15. GM schools and an expanded APS add to parental choice and reduce the LEA's quasi-monopoly. But even within a greater pluralism we are left with a huge preponderance of LEA schools and with the problem of making LEA schools better serve the needs of children, parents and the nation. The more good LEA schools parents have to choose from, the greater their choice. We should advance simultaneously on three fronts. The possibilities are outlined in Technical Paper No 6.

16. First, much solid work - most of it unappreciated by parents and employers - is in train and still to be done to complete our existing programme:

- i. injecting vigour and rigour into the selection and training of teachers - the "Teaching Quality" White Paper programme is now in progress.
- ii. shaping by consent a national curriculum (not actual syllabuses): this should be broad, balanced, relevant, and above all differentiated (so that every pupil can be stretched to his or her full potential). This has been accepted in principle but to be applied by all LEAs and schools it requires much more effort and better teachers. We are ready, building on the pilot stage, to expand TVEI rapidly if we can find the money. Even in primary schools, science and Craft Design and Technology are growing fast.
- iii. introducing the new GCSE this September, requiring higher standards, differentiated, and with more emphasis on understanding and the application of skills and knowledge.

- iv. linking teacher appraisal with much more effective in-service training; we are taking powers to secure these aims in our current Education Bill.

- v. piloting records of achievement for all school leavers: everybody in the education service is in favour.

- vi. setting up new governing bodies stripped of LEA majorities with more parent-governors and more accountable to parents; also in our Current Bill.

17. Second, we need to take strong and sustained action to secure the delivery of our "Teaching Quality" policies. We are successfully making the selection and training of teachers more rigorous and practical through CATE. We are making provision for the systematic development of appraisal and in-service training through the Education Bill. But these measures will only yield their full benefits when vigorously implemented by the LEA employers in association with a new contract-linked definition of teachers' duties and an appropriate pay structure with better differentials. There is no realistic prospect of that being negotiated into place. We need a statutory review body for pay and conditions of service. ? *But DES have just opposed one?*

18. Third, we shall not achieve our objectives for education without much greater leverage on local government. The Green Paper, "Paying for Local Government" holds out the prospect of increased specific grants bearing directly upon areas of expenditure crucial to the delivery of standards. But we shall have to go further. The Green Paper's theme of local accountability is a recipe for the status quo. We also need to ensure accountability to the wider requirements of national policy. That means a degree of centralisation not hitherto contemplated.

19. It is essential to move to a separate education grant regime incorporating a substantial element of specific grant. What is involved is a fundamental change in the Government's relationship with local education authorities. We would be able to

- lay down clearly what we expect of LEAs in terms of performance and the management of resources by relating exchequer grant to national objectives and policies
- monitor and secure the delivery of national priorities by varying the amount of specific grant to be paid from within a fixed total of grant according to LEA performance
- use specific grant to set conditions for performance and target resources to secure greater cost-effectiveness and value for money.
- require that value for money is addressed in every area of expenditure on the basis of a range of performance indicators and output measures

is that possible?

What happens if the school doesn't perform?

20. There is no half-way house. We need the combination of a separate education block grant and increased specific grant powers to secure the necessary grip over LEA management of the system. A block grant for education by itself would leave local government free to ignore our priorities. More specific grant would help to target resources towards the cost-effective delivery of national objectives but, set within the Green Paper regime for local government finance, it will have only limited effect. We need to be bolder and more far-reaching if a system based on local government is to deliver what we want.

What will this mean?

21. The result of these changes will mean new and better escape routes from LEA schools, and less need to use them. We shall have taken a grip on LEAs and the teacher unions - and they won't like it - to give parents a better deal. Quite new prospects will open up for moving our current policies along much faster and for new initiatives. For example

- (1) A properly managed teacher force - well motivated teachers of the right quality sensibly deployed

throughout the school system. Two key issues are the supply of teachers for the shortage subjects such as mathematics, physics and CDT, and the selection and training of and leadership provided by head teachers. We look to pay differentials, appraisal and in-service training as our main instruments: but we are considering numerous small contributions in addition to help relieve the main long standing skill shortages.

- (2) The development and use of performance indicators. Examination results do not measure "value added" at school, because no-one knows with what intelligence, aptitude and home background (except by area) any particular child starts. But just because we shall not get accurate indicators for all types of performance is no reason for not trying to establish new ones. Indicators will be hard to design but I intend to try. The new financial mechanism will enable us to get LEAs and schools to make much more effective use of whatever performance indicators there are in order to raise standards.
- (3) Bright children. Many comprehensive schools hold the more able back. We need in particular to make special provision for able older primary pupils - remedial classes in reverse - and will be able to do so with specific grant under the new mechanism.
- (4) An "Open School". This would supplement by carefully designed distance-learning packages crucial parts of the curriculum (such as maths where we are nationally weak and other subjects). Motivation is the crux. We shall need great care in forming and delivering the packages if we are to succeed, but the ability to target funds and attach conditions will help.

22. My proposals cost more money. Within the framework suggested it will be money well spent, targeted to where it can do most good and give most value. More radical options would cost more;

less radical change would not deliver our political objectives. We shall have to find extra resources

- to deliver "Better Schools": our White Paper made it clear that, even if all LEAs were to secure the savings from improved efficiency open to them, our policies would still require some increase in real levels of expenditure per pupil. Our friends in prudent, non-wasteful LEAs are having to cut essential elements. We must make a start in 1987-88.
- to settle teachers' pay on a basis that will endure and on conditions that secure our objectives
- to expand the assisted places scheme (up to £70m depending upon the limits that we set on expansion) and to make special provision for able children within maintained schools (£10-20m)
- to establish an initial tranche of Government Maintained schools.

23. There will also be extra central government manpower costs to implement the programme that I am proposing in this minute. These might amount to about 50 AEC grades and 50 HMI in addition to what the DES needs now to do its present job. If we were to proceed to establish a sizeable number of GM schools beyond an initial tranche, further additional staff would be required.

My proposals

24. I conclude that:

- a. We should move from block grant financing to an education grant with a substantial element of specific grant in order to give central government adequate leverage over the education system. With this leverage we could implement our existing policies more quickly

and be able to mount new initiatives for the curriculum and teaching quality (paras 18-20);

- b. We should use the education grant particularly to "police" the new teachers' contract. Our aim should be legislation to impose the outcome of the work of a statutory review body on pay and what pay is for. The role of teacher unions as negotiating bodies would be severely curtailed. They would be obliged to become once again professional organisations (para 17);
- c. We should introduce new direct grant schools under the name of GM (Government Maintained) schools (para 13), including the possibility of these being run by parent groups. The more successful and popular the schools became, the greater the potential for parental leverage over LEA-maintained schools. As a first step we should move to establish very soon a national foundation with a mix of government and industrial funds charged with the task of setting up straight away ten or a dozen GM secondary schools in the city centres of our older industrial conurbations. We should aim for a couple in London and the remainder in our provincial cities. Each school would have a local governing body. Each would aim to provide a model curriculum embodying the lessons we have learnt from TVEI. We would not sacrifice breadth before 16 but for those who stayed on after that age quality vocational provision and courses should be available. Each of these new institutions should aim to work closely with local industry. I have no doubt that the creation of schools like these would cause howls of outrage from LEAs, though they would have little to grumble about provided the schools were not financed at their expense or at a significantly higher per capita level of funding. I have equally little doubt that parental interest in these schools would bring pressure to bear on the existing primary schools and secondary schools in the maintained sector to raise their standards;

- d. We should expand the Assisted Places Scheme while retaining its scholarship character (para 14). This would be complemented in the maintained sector by our intention to make special provision for able children within maintained schools - the "remedial classes in reverse" (para 21(3)). And we should exploit distance learning techniques (para 21(4)).
- e. We should publish before the autumn a White Paper with green edges setting out the above proposals, reporting progress on the national foundation GM school initiative (c. above) and explaining fully our reasons for dropping credits;
- f. The additional powers for parents provided in our Education Bill and the additional options made available to them by these new proposals should be supplemented by much greater information for parents. We should provide every parent with a booklet, setting out clearly parental duties, responsibilities and rights and setting out too what a good primary school or a good secondary school should be like. In such a booklet, we would naturally want to include not only our views on the curriculum but also on the treatment of politically controversial subjects within it. This would supplement any other measures we may be minded to take on political indoctrination.

Action

25. The programme I have outlined, taken with what we are already doing on teacher training, the curriculum, examinations, appraisal, in-service training, records of achievement and parental involvement in schools, would represent the most radical educational change since 1944. It would seize the initiative. It would cost more money and some manpower. It would get us, for a change, value for money. It would enable us to take some action before the next election, provided the resources were available, and to promise more on the back of legislation in a new

Parliament. It would be open to us to choose how much we needed to do straight away in order to make our promises for future action both more possible and more credible.

26. Whatever we decide, I hope we will not let things drift. Time is not on our side and indecision is not our friend. I would welcome the establishment of a small group of colleagues to carry these ideas forward as a matter of urgency after Easter. I would also welcome some public indication that we intend to accord education a higher priority in our plans including those for public expenditure.

K.J.

KJ

26 March 1986

As agreed I am sending copies of this minute to the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster only at this stage.

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

TECHNICAL PAPER NO 1

Single-purpose Local Education Authorities

1. This paper outlines some of the main implications of reorganising local government to create a system of single-purpose local education authorities (SPLEAs) which would be directly elected and would be separate from the organisational arrangements for other local government services.

Functions

2. It would seem appropriate to allocate to the SPLEAs all the educational functions assigned to local government. That approach would offer the best prospect of making their functions sufficiently important to attract elected members and officers of good calibre. The approach would also avoid the difficulties of separating functions which are largely interrelated: for example to make the SPLEAs responsible only for the schools would make much more difficult the effective planning and delivery of 16-19 education.

Areas

3. SPLEAs would need to be large enough to attract elected members and officers of good calibre, and to be able to discharge cost-effectively and economically the full range of functions which would fall to them. Where there are now shire counties, the SPLEAs might normally conform to the areas of the existing LEAs; but elsewhere the SPLEAs might in many cases be formed by amalgamating the areas of two or more metropolitan districts or outer London boroughs.

Financial arrangements

4. A national system of authorities responsible only for education would emphasise the fact that the English education system is a national one "under the control and

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direction of the Secretary of State for Education and Science" (the words of Section 1 of the 1944 Education Act).

It seems appropriate that to the extent that SPLEAs are financed by the Government, that finance should come to them from the Secretary of State. The finance arrangements might take the following form:

- (1) there would be an education block grant for which the Secretary of State would be responsible to Parliament and on which he would negotiate directly with the SPLEAs.
- (2) Education block grant would be based on a separate education needs assessment. Under present arrangements there exist soundly based and generally robust GRES. The Green Paper proposals, which take care of the problem of resource equalisation, are in principle compatible with a wholly separate education needs grant.
- (3) There would be an increased power of specific grant - amounting to about 10-15 per cent of total local authority expenditure on education. Such a power would be designed to secure effective steering of the system by the Secretary of State.
- (4) SPLEAs would also raise revenue locally. It would be necessary to consider splitting the proposed community charge between SPLEAs and other local authorities, as it would be split between tiers of local authorities. The Secretary of State might have a power similar to selective rate-capping.
- (5) SPLEA capital expenditure would be separately controlled by the Secretary of State, perhaps on a gross expenditure basis.

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5. The negotiations between the Secretary of State and the SPLEAs would be directed towards effectively changing local priorities on education spending: to that extent it is likely that they would increasingly be directed towards individual SPLEAs.

6. The financial regime outlined in paras 4-5 would be intended to serve more effectively the Secretary of State's policies for improving the quality of education and the standards attained by pupils and students; to reduce unjustifiable diversity in a national service; and to secure value for money in the expenditure of every SPLEA.

Electoral Considerations

7. The present electoral cycle is:

- election of the whole Council every 4 years for shire counties, London boroughs, the new ILEA and some shire districts.
- election by thirds three years out of 4 for metropolitan districts and most shire districts.

The timing of elections for SPLEAs would need to be decided in the light of the following considerations:

- (1) Whether it is desirable that all SPLEAs should have the same arrangements.
- (2) Whether it is desirable to hold SPLEA elections at the same time as elections for other local authorities in the area of the SPLEA, having regard to cost (elections held at different dates cost more); the likely effect on turn-out, and whether it is desirable that the elections should focus purely on educational issues.

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Effects on local government

8. To remove education functions from the outer London boroughs and the metropolitan districts would leave these local authorities in the present position of the inner London boroughs, whose viability as local authorities is not currently in question. But to remove education functions from the shire counties would leave these with functions which account for only about 30 per cent of their present expenditure. This would call in question their viability as local authorities, having regard to the resultant distribution of functions between shire counties and shire districts.

9. The creation of SPLEAs would substantially reduce the capacity of local government to determine policy and expenditure priorities between services at the local level. The separate authorities would pursue expenditure policies in isolation from each other. But the demands which each made on the ratepayers would be visible and ratepayers could discriminate in their response as electors.

10. Cooperation between local services eg education and personal social services is in principle easier to secure within an authority than between authorities; but effective inter-authority cooperation is also possible.

Central and Local Governments Costs

11. SPLEAs would have to establish for themselves the common administrative services (eg financial, legal, personnel etc) provided to education within existing multi-purpose authorities. At present, administration costs of the order of £250m a year are recharged to education departments in respect of the costs of common services. The creation of SPLEAs involves diseconomies of scale in relation to such expenditure. It is not possible to estimate precisely what proportion of the expenditure would be additional

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but it might amount to 50 per cent or £125m a year. To the extent that some existing LEA areas were merged to form SPLEAs, there would be countervailing savings. Separate electoral arrangements would also entail extra costs.

12. There would be some additions to central government manpower. The administration of a separate education grant regime would require an additional 10-20 posts depending upon the role within it exercised by specific grant. Further manpower might be needed if the grant negotiations were brought to bear increasingly upon individual local authorities.

Legislation and timing

13. Legislation would be required to establish SPLEAs and to deal with the transition from LEAs to SPLEAs. The transition - the preparations for new electoral arrangements, for the transfer of property and staff, and for a smooth hand-over - would probably take 1-2 years after enactment.

1

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

TECHNICAL PAPER NO 2

A nationalised education service

1. This paper considers in broad outline what might be involved if the education service were managed and financed centrally. It is assumed that the pattern of the educational institutions now maintained (or assisted) by LEAs - in all its variety - would initially remain as it is now; and that, in particular, there would continue to be county, aided, special agreement, controlled, and special schools, as well as maintained and assisted establishments of further and higher education, all of them retaining their present status, form of government, and functions, subject to the changes in school government and functions to be enacted by the Education Bill 1986. The large change which would take place is:

- (1) the transfer from elected local government to "the centre" of all the functions now carried out by local education authorities in relation to the institutions they maintain or assist; and the related functions which they now carry out in relation to pupils, students and parents.
- (2) the transfer to "the centre" of all responsibility for financing the public education service.

Organisation

2. In principle the resultant responsibilities of "the centre" could be discharged in one of three ways:

- (1) by the Secretary of State and his civil servants.
- (2) By a single Central Agency, appointed by the Secretary of State and answerable to him, on the basis of functions formally assigned by legislation or by the Secretary of State.

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- (3) By a number of Area Agencies on the NHS model, appointed by the Secretary of State and answerable to him, on the basis of functions formally assigned by legislation or by the Secretary of State.

3. The choice between these 3 Options would depend on the weight given to several considerations. In particular:

- (1) Option 2 (1) would involve the Secretary of State (and his officials) directly with the management of every aspect of the education service. It would maximise the matters in respect of which he is accountable to Parliament. It would facilitate consistency of administration in a national service.
- (2) Option 2 (2) would remove the Secretary of State from the detailed tasks of managing the service. Consistency of administration would be facilitated. But the Central Agency's accountability to the customers of the service would not be easy to establish. There would be a limited possibility of conflict between the Secretary of State and his agent, insofar as the latter possessed entrenched powers.
- (3) Option 2 (3) would also remove the Secretary of State from the detailed management of the service. Accountability to the customers might be partially secured by appointing to each Area Agency representatives of local government. But consistency of administration would be harder to achieve; and the NHS experience suggests a strong possibility of conflict between particular Area Agencies and the Secretary of State.

4. Under either option 2(1) or (2) the functions of the centre would need to be discharged by means of administrative

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devolution. Many permutations could be envisaged. Under Option 2 (1) the DES would be responsible for policy and finance at national level; and a tier of say 30 area offices (each with sub-offices as appropriate) each of which would discharge the Secretary of State's functions in relation to the institutions in its area in accordance with guidelines on policy and a budget from the DES. Any responsibilities delegated by the DES to its area could be discharged with reference to the DES as the occasion demanded.

5. Under Option 2 (2), the Central Agency would receive a budget from the Secretary of State, and perhaps policy and financial guidelines, but would then administer the service on the basis of its formally delegated powers. It would be the Agency not the DES which would arrange for budgetary and administrative devolution through area or local offices.

6. Option 2 (3) entails a number of Area Agencies. If these were sufficiently numerous, administrative devolution would have been achieved at the same time. Each Area Agency would be given a budget and perhaps policy guidelines by the Secretary of State.

7. It might be appropriate in certain cases to allow an appeal to the Secretary of State against the decision of his agent by an aggrieved educational institution, parent or student. Similarly under Option 2 (1) there might be a formal arrangement in certain cases for appeal to a specially constituted tribunal. Under Option 2 (1), there would be a strong case for giving a right of appeal against the Secretary of State's decisions to the governing bodies of voluntary schools, because the Secretary of State would have assumed the discharge of LEA functions in respect of which these governing bodies can now appeal to the Secretary of State. In either case an appeal to the Courts would be possible on a point of law.

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8. The elimination of the locally elected element from the education service would strengthen the case for obliging the Secretary of State, or the Central Agency, to consult - perhaps through formally constituted advisory bodies - at local level on important issues arising out of the application of the central policy, and to consider proposals for development and innovation suited to local circumstances. The local authorities that would remain might be represented on such advisory bodies.

Finance

9. The education service would receive all public finance from the central government, either directly from the Secretary of State or via his agent(s). There would be a corresponding shift from local to national taxation. The total public expenditure on education would be determined solely by the Government. It would have to be distributed among the individual institutions, and for other specific purposes, largely on the basis of formulae designed to meet need. A starting point for distribution formulae could be the existing education GRE which is based largely on identifiable client groups and is already fairly robust. But the present methodology would require refinement to take account of variations in local circumstances to which LEAs can at present accommodate, and would need to be developed to cover aspects of education where local expenditure is at present discretionary eg provision for under-5s, adult education, the youth service and discretionary student awards. It is for consideration how far it would be possible and desirable to delegate financial responsibility to individual institutions.

Management of institutions

10. The governing bodies of schools and colleges would continue to have their present responsibilities for managing their institutions (as modified by the Education Bill 1986). With the disappearance of local education authorities it

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would be necessary to consider how far the new paymaster (Secretary of State or his agent) should be represented on governing bodies. In the absence of such representation the governing bodies would often consist only of representative of people (eg parents, teachers, coopted members) with no financial stake in the institution. There would be a strong case for giving the paymaster the right to appoint a proportion of governors but the larger the proportion, the greater the practical difficulties of finding enough suitable appointees. It is perhaps an open question whether such appointments would be made on a political basis. It might also be desirable to introduce a representative local element by allowing the local authority to nominate some of the governors. However these issues were resolved, the Secretary of State (or his agent) would need the information, powers and resources to ensure that institutions spent their allocated central funds properly, effectively and in accordance with the Government's educational policies.

Premises

11. For those institutions where the LEA now owns or leases the premises, the Secretary of State (or his agent) would take over the freehold or leasehold, and would assume the attendant responsibilities for capital and current expenditure. Where the Secretary of State now pays grant towards capital or external repairs eg for aided schools, the arrangements could continue. It is for consideration whether the initial transfer of the interest in the premises should involve a payment by the transferee either in respect of the value of the premises or as compensation for past capital expenditure.

Staff

12. The Secretary of State (or his agent) would become the employer of all staff (other than those not now employed by the LEA eg staff of aided schools). In the capacity

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of employer the Secretary of State (or his agent) would appoint and dismiss all such staff, subject to the existing arrangements, as modified by the Education Bill 1986, for involving governing bodies, head teachers and principals. The Secretary of State (or his agent) would exercise the staff management functions of the employer (staff deployment, development, training). He would also assume the employer's responsibility for settling the pay and conditions of service of the staff, on the basis of national arrangements for negotiation etc determined either on a statutory or a voluntary basis. The employer's responsibilities assumed by the Secretary of State (or his agent) would extend beyond the teachers to the arrangements for non-teaching staff in respect of which the Secretary of State now has no statutory interest or experience.

Pattern of provision

13. At present the pattern and character of institutional provision for any area is the product of a process over time whereby the LEA and to a limited extent voluntary bodies (particularly the churches) have made proposals which the Secretary of State has been able to accept. That process has involved public consultation and the consideration of objections. The elimination of the LEA would make it necessary to consider, on the assumption that changes in the pattern and character of institutions would continue to be the subject of public consultation, how far the Secretary of State (or his agent) should be the proposer of change and to the extent that he becomes the proposer, whether he should have the power, without appeal, to determine the issue.

14. The enforcement of compulsory schooling would fall on the Secretary of State (or his agent) and with it the determination of the admission arrangements (including the arrangements for parental appeal against non-admission)

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for those schools (normally those other than aided schools) for which the LEA now has that responsibility. He (or his agent) would also assume the LEA's responsibility for securing appropriate provision for pupils with unusually marked special needs. All these functions would bring the Secretary of State (or his agent) into a day-to-day relationship with parents.

Curriculum

15. It is now Government policy to promulgate objectives for the school curriculum, and to require each LEA to formulate its own curricular policy, so that both the Secretary of State and LEAs discharge their functions in the light of what would effectively be a national school curriculum (but not going as far as national school syllabuses). If the Secretary of State (or his agent) were to own most of the premises of the institutions, employ most of the staff, provide all the public finance, operate an inspection system, and play a more initiatory role in relation to the pattern and character of provision, it would be natural that all these responsibilities should be discharged in the interest of a national curriculum, centrally determined and reviewed after consultation with governors, teaching staff and the customers of the service; and it would be for consideration whether such a curriculum would increasingly find expression in national syllabuses.

Effect on Local Government

16. The loss of education functions would leave the metropolitan districts and outer London boroughs with the same functions as the inner London boroughs whose viability is not currently in question. It is however questionable whether the shire counties, after losing a service which accounts for about 70% of their expenditure, could be regarded as viable local authorities, having

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regard also to the functions of the shire districts. The ILEA would be abolished. The loss of education functions would substantially reduce the importance of local government in the affairs of the nation.

Resources

17. The Government's control over total public expenditure on education would rest on the fact that it alone supplied public finance for education and actually or effectively employed the great majority of the staff of the education service. It is a matter of judgment how such centralised control would affect the expenditure total. The factors affecting that judgment include political considerations, the scope for increased efficiency and value for money in the use of human and material resources (including teaching staff) and the dynamics of an overtly national system which encourages consistency of provision in all areas.

18. As regards administrative manpower, the current position is summarised below.

LEA (in full-time equivalents)	Advisers and Inspectors	2,100
	School Meals Organisers	650
	Youth Organisations	1,900
	EWOs	3,000
	Administration and support	18,000
	Recharged Administration	20,000
DES		2,400

19. It is difficult to offer any precise estimates of the manpower consequences of centralisation. A number of factors are relevant:

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- (1) There is little doubt that LEAs do not at present employ sufficient advisers and inspectors to enable them adequately to monitor and improve the performance of their institutions. To discharge these responsibilities adequately the Secretary of State (or his agent) might need some 4,000 advisers and inspectors (as against the present complement of 500 HMI and 2,100 local advisers and inspectors).

- (2) The loss of education functions would create diseconomies of scale for the administrative services of local authorities. This addition might be at least offset by economies of scale in providing the same services for education through a much smaller number of area organisations under the Secretary of State or under a Central Agency, or a much smaller number of Area Agencies.

- (3) A centralised education system would need many more DES staff than the present non-HMI complement of the DES (ca 1,700). For example the staff of the DHSS concerned with the NHS (the total expenditure of which is of the order of magnitude of the education service) is about 4,000.

Legislation and Timing

20. The transfer to the centre of LEA functions would require very substantial and complex legislation which would also have to deal with transitional arrangements and the possibility of obstruction from local government and professional interests. The necessary arrangements for, among other things, the transfer of staff and property, and the creation of a new area organisation, might mean that the new regime could not come into operation for 1-2 years after enactment.

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TECHNICAL PAPER NO 3

AN EDUCATION CREDIT SYSTEM

1. This note considers in outline what would be involved in creating and running an entirely new category of schools, which would take the place of those currently maintained by local education authorities. Within specified constraints, the schools would be independent of local and central government, operating as autonomous cost centres. Their main source of finance would be "credits" i.e. grants from public funds calculated on the basis of the number of registered pupils. They would not be allowed to charge fees.

why not?

The new structure of the public education service

2. Full-time education would be compulsory from 5 to 16. All county and voluntary schools, primary and secondary alike, would convert to education credit system (ECS) status. Nursery and special schools and LEA-maintained higher and further education institutions would remain outside the scheme - probably, but not necessarily, continuing to be LEA-maintained. The existing category of independent schools would remain, except to the extent that they joined the ECS sector by agreement. The Assisted Places Scheme would be unaffected, and changes to the existing arrangements for independent schools would not be ruled out.

ECS schools

3. Since ECS schools would be independent of the LEA, they would need to have a separate legal existence. Since they would be financed almost wholly from public funds, it would seem appropriate to give them charitable trusts and probably also make them companies limited by guarantee, which in normal circumstances would limit the liability

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of the trustees/members to a nominal sum. There are complications in trust and company law which would need detailed consideration, particularly as they apply to voluntary schools. Although ECS schools would have the independence, and permanence, of charitable status, they would not only be funded by a public authority but would have to be subject to a certain amount of regulation and supervision by such an authority, so that for example reasonable value for money is achieved. Paras 30-34 below summarise the main functions of the public authority in relation to ECS schools and discuss whether that authority should be the LEA or the central government. In the following paragraphs the authority will be referred to as the "State Agency".

Governing boards

4. The trustees/members of each ECS school would be the governing board of the school. It is for consideration on what principles the governing boards should be constituted. Since the schools would be financed from public funds, it would seem appropriate that the composition of the governing body should be subject to some statutory limitation, and some control by the State Agency. It might be reasonable to allow the Agency to appoint a proportion of the governors, and it might be necessary in many cases for all the governors to be so appointed initially. Subsequent and perhaps some initial appointments could be largely by co-option and also, if desired, by elections on the part of parents and teachers. The composition of governing boards could vary according to the status of the replaced school eg foundation governors could be in the majority on the boards of former aided schools, and be represented on those of former controlled schools. In general, it might not be easy to find suitable and willing persons for every governing board. During the period of transition, the existing governors of a replaced maintained school could, if willing, form the first board; if they were unwilling,

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temporary replacements might need to be appointed by the State Agency.

5. Memoranda and Articles of Association would set out the detailed constitution, powers and responsibilities of the governing boards. The Articles would vest responsibility in the boards for all aspects of running the schools; property matters; employment of staff; the curriculum; admission of pupils; and so on.

Financial mechanism

6. Each ECS school would be funded through "credits". The value of a credit would be determined each year on a standard scale, with variations according to the size and locality of the school and the age of the pupils. This determination would be rough and ready; it would be necessary to make extensive refinements to the GRE methodology, and appeal arrangements might be needed. The number of credits for a school would be determined by the number of pupils on roll at a stated date, perhaps with adjustments where rolls were rising or falling rapidly.

7. Governing boards would be expected to finance all or nearly all the school's current expenditure (and perhaps a 15 per cent element of any capital expenditure - qv para 11) from their credit income. The revenue budget would cover:

- a. teaching and non-teaching staff (including any call on occasional eg supply or peripatetic teachers, advisory services, school doctors or psychologists from whatever source; plus costs of in-service training, redundancies etc);
- b. books, equipment and other materials;

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- c. in-school administration;
- d. maintenance and internal repairs;
- e. rents, rates and services;
- f. any subsidy of midday meals and home-to-school transport beyond legal minima.

8. Governing boards would be free to supplement their income from voluntary contributions and (limited) commercial borrowing. They would be required to make proper arrangements for accounting and audit.

9. To minimise transitional difficulties and act as a buffer against unavoidable lumpy expenditure, eg on major repairs or staff restructuring, schools would need to be given a working balance on starting up. This would be a once-off, but clearly large, addition to public expenditure.

Capital assets

10. It would not be possible to devise a single, appropriate model for the governing boards' interest in the school premises. This varies considerably in the case of LEA-maintained schools, and is much complicated in many instances by trust provisions. Where there was not already a body of foundation governors who owned the premises (as generally applies in the case of voluntary schools), it is for consideration whether the freehold should be transferred to the governing board or whether the board should be allowed to rent or lease the premises (in the first instance usually from the local authority). Transferring freeholds would seem to require compensation payments to existing owners, which would probably have to be met by the Government, would probably run to billions of pounds, and would complicate matters if an ECS school

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closed for any reason. Unless the freeholders are to be put at a disadvantage, leasing or renting should be at economic rates: but this could put a substantial financial burden on many governing boards.

11. Capital projects for established, and perhaps for new, ESC schools would probably be feasible only with the help of a grant from the State Agency (subject to reversion of net proceeds to the Agency in the event of closure). Since many ECS schools would find it hard to raise money, the grant might have to be at a rate of 100% rather than the 85% now payable to aided schools. Dealing with applications for grants (including settling priorities) from up to 25,000 schools would be a large administrative undertaking. It would give the State Agency an important means of controlling the total resources put into the new system, and their distribution within it.

Changes in provision

12. ECS schools would start 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. Some changes, for example in the school's age range or character (selective, single sex etc) could affect the total amount of grant payable via credits, could involve grants for capital projects, and could affect the opportunities of parents in the area to secure the desired education for their children. These considerations argue in favour of retaining arrangements on the lines of those currently in force under the Education Act 1980 whereby certain changes relating to an ECS school would be subject to the approval of the Secretary of State with opportunities for objection by other parties affected (eg other ECS schools).

13. There are similar arguments for such public procedures in relation to the setting up of new ECS schools and to

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closure of schools which were failing (eg because of unpopularity or demographic changes). It is for consideration whether in the case of possible closures transitional assistance should be afforded, by way of a top-up grant, to protect the interests of those children remaining at the school; or whether alternatively arrangements should be made in such circumstances for temporary takeover by the State Agency either to restore an ailing school to health or to nurse it decently to its death. In the case of a temporary take-over by the Agency, or if the school closed, all rights in the property would remain with the trust or body previously responsible for the school.

Teaching and other staff

14. ECS governing boards would employ all the staff employed at the school. Since the schools would be publicly funded acceptable standards of teaching and other services would be required in them. It is for consideration whether this would continue to make it necessary that all teachers should be qualified in accordance with criteria laid down by the Secretary of State; the answer to this question would affect the arrangements now made for teacher training. Governing boards would probably have to accept some obligation to admit student and probationary teachers.

15. New arrangements would be needed (national or school by school) for determining the pay of teachers and other staff. The existing Remuneration of Teachers Act 1965 applies only to the remuneration paid to teachers by local education authorities. The main alternatives would be either to leave this as a matter for negotiation between the employers and the employees, who might or might not set up nation-wide negotiating arrangements, or to establish new national arrangements for determining teachers' pay, either on a voluntary or on a statutory basis.

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16. Transitional difficulties could arise if staff at LEA-maintained schools were unwilling to transfer to the new ECS schools. Claims for constructive dismissal could be hard to avoid, and the ECS schools could not be expected to bear the costs. Some form of national compensation arrangements might need to be devised, and specially financed.

17. The teachers superannuation scheme could continue to operate broadly as at present, but the governing boards would become responsible for the employers' contributions. Premature retirement and redundancy would become matters for the governing boards, who would be responsible for making all the necessary arrangements and meeting the costs. Mismanaged redundancies or dismissals could prove costly to the boards. Redundancies in the event of school closure could almost certainly not be financed by the governing board.

Admissions

18. Broadly speaking, ECS schools would have complete autonomy as to the number of children they admitted and the basis on which they admitted them (subject to the likely need for public consultation and the Secretary of State's approval to changes of character and size). Existing requirements in legislation as to the publication of information on admissions arrangements etc would remain in broadly their present form.

19. It would be desirable for some sort of clearing house to handle applications in a given neighbourhood, and for the reason set out in para 20 schools' participation in this would need to be compulsory. Normally it would no longer be possible for parents to appeal against a particular school's refusal to admit their child.

Securing compulsory education

20. The State Agency would need to be charged with ensuring that all children of compulsory school age received full-time

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education. The Agency would need to be able to obtain from the clearing houses (see para 19) complete information on all eligible children in their area, so that it could identify those who were not in school, either because their parents were withholding them or because all ECS schools in the area had refused them admission. In the latter case the Agency would need to be able to require the admission of the child in a suitable ECS school with spare capacity. It would be desirable for the school to have a right of appeal.

21. Where there was an overall shortfall of ECS places in the locality, the Agency would be required to look initially to schools in neighbouring localities (with implications for transport, and possibly boarding, costs that would need to be considered), and these might have a right of appeal. In other cases it would be necessary for the Agency either to take up places in independent schools or to provide schools of its own for unplaceable children.

Standards

22. In the interest of securing minimum standards, ECS schools would be required to comply with minimum standards as to premises laid down by the State Agency, certainly for reasons of health and safety and probably to permit minimum standards of educational quality. Since ECS schools would be publicly funded, it seems inescapable that the State Agency would also lay down minimum standards of quality. It is for consideration at what level these should be set and who would set them. It is notoriously difficult to establish criteria for educational output as opposed to input (quality of the curriculum, teaching, equipment etc). Any minimum quality requirements would need to be compatible with giving each governing board responsibility for the school's curriculum, but the State Agency might have power to secure a minimum of certain types of provision eg for minority foreign language teaching.

23. ECS schools could be subject to requirements in respect

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of religious education on the lines now applying to LEA-maintained schools, but the LEA's responsibility in relation to the agreed syllabus might need to be transferred to another agency (see para 33 below).

24. The State Agency would need to monitor and enforce minimum standards. In the event of default, it would need to be possible in the last resort to close a school (subject presumably to a right of appeal) and secure suitable alternative arrangements for its pupils. The Agency might also be responsible for informing governing boards about good practice and new developments in school education.

Provision for under fives

25. ECS schools could in principle be free to admit under fives, provided they did so free of charge and that the quality of provision for those over 5 was not prejudiced. They could receive credit-funding for them (on scale rates) if they had specific approval for such admissions from the State Agency.

26. Provision for under fives other than in ECS schools could in principle remain as a residual responsibility of LEAs - but see para 33 below. Since such provision would have to be in free-standing nursery schools, it would be relatively more expensive than an under-fives place in an ECS school.

16-19s

27. Current legislation requires LEAs to make provision for full-time education free of charge, either in schools or colleges, to all those aged 16-19 who want it. ECS schools would be permitted to admit 16-19 year olds. They might also be allowed to cater exclusively for those over 16, possibly including part-timers and those aged 19 or over. Any provision made by ECS schools for 16-19 year olds would

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attract credits. Alternative provision would be available at maintained colleges catering exclusively for those over 16. The two sectors would compete for custom. How far they should, and could, and the effect on public expenditure and value for money for such expenditure requires further exploration.

Special education

28. The admission of children with special needs to ECS schools involving supplementary payments in respect of special provision by the school would need to be subject to controls on the part of the State Agency. It would be necessary to examine in detail how best to reconcile value for public money with the educational needs of the children in question and the financial viability of ECS schools. It might be necessary to give the Agency power to require admission to, and special provision by, the school, subject to a right of appeal.

29. The State Agency would provide, or to buy from the independent sector, places for those children for whom integration in ECS schools was inappropriate.

The State Agency

30. The preceding paragraphs have identified many functions relating to school education - and further examination would doubtless identify others - which could not be performed by the governing boards of ECS schools, and would fall to the State Agency. It is necessary to decide whether this Agency's functions should, at least in large part, be performed by local government or whether they should be performed centrally. In considering this issue it is helpful to set out the functions involved. They are in principle either financial or regulatory. The main financial functions are:

- (1) Determination of the values of credits for all circumstances, including special payments for children with special needs, and grants for

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start-up costs.

- (2) Administration of credit payments.
- (3) Supervision of financial propriety in ECS schools.
- (4) Rescue or closure of failing ECS schools.
- (5) Grants for capital expenditure by ESC schools.

31. The main regulatory functions to be performed by the State Agency are:

- (1) Approval of new, or changes to existing, ESC schools.
- (2) Appointment of (some or all) governors of ECS schools.
- (3) Securing attendance by all children of compulsory age, including the provision of schools as a last resort and of transport to schools.
- (4) Determination and enforcement of minimum standards at ECS schools.
- (5) Provision of special schools (or purchase of places at independent schools).

32. It seems desirable to establish arrangements enabling governing boards to appeal against certain decisions of the State Agency.

33. It would be convenient to entrust the LEAs with most of the financial and regulatory functions, with appeals

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from governing boards to the Secretary of State; though certain functions, eg the determination of the value of credits and capital grants would have to lie wholly or mainly with the Secretary of State. But it is questionable whether politically hostile LEAs could in practice be trusted conscientiously to discharge functions which give ample scope for obstructing or wrecking aspects of the ECS scheme. This consideration points to giving all financial and regulatory functions to the Secretary of State (with appeal, if desired, to independent tribunals) or to an agency appointed by the Secretary of State (with any appeal to the Secretary of State).

34. If the second approach in para 33 is followed (and perhaps even if it is not) it becomes questionable whether the remaining educational functions now vested in local authorities should remain with them or be assigned elsewhere. The most important such functions are:

- (1) Provision of education for under-5s.
- (2) Provision of further and higher education, adult education and the youth service.
- (3) Teacher training.

Resources

35. It is difficult to judge whether an ECS system, once it is fully established, is likely to involve more or less public expenditure than the existing system of LEA-maintained schools. An ECS system of schools would be more fragmented, and less systematically managed, than the present system.

It is uncertain whether the dynamic of the system would tend towards smaller, less cost-effective schools or towards larger, more cost-effective ones. Unit expenditure per pupil would be highly visible, as would differences in

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it. It seems inevitable that the transition to the ECS system would be expensive: some extra costs eg for start-up funds (para 9) and for premises (para 10--11) can be identified now. Experience suggests that the frictional problems of a change of this magnitude can be overcome only by the lubrication of additional money. If the central government were to be the State Agency, then public finance for the scheme would presumably come from central taxation only.

36. The effects on total public service manpower are difficult to judge. It seems likely that there would be increases in central government manpower to offset decreases in local authority manpower and that a rather different mix of staff categories would be needed eg more emphasis on inspectors of educational quality and financial propriety and competence.

Legislation and timing

37. The creation of a radically different school system would require long, complex and highly controversial legislation, designed not only to replace much of existing education law but also to ensure a smooth transition and to prevent hostile LEAs or other from frustrating the change. Several years would be required for full implementation after the legislation has been enacted. It would probably take a whole Parliament to put the scheme into full operation, and more time would be needed before it was soundly and securely established.

Making county and controlled schools (more) like aided schools

38. It has been suggested that it would be possible to move in the direction of an education credit system by legislation designed to give to county and controlled schools some or all of the distinguishing features of aided schools. The main such features are that the governing body:

- (1) owns the premises;
- (2) employs all staff at the school, subject to a right of veto by the LEA over the appointment and dismissal of particular staff (subject to certain minor exceptions), and on the basis of a complement determined by the LEA;
- (3) is responsible for external repairs and maintenance (with the help of a grant from the Secretary of State);
- (4) in the case of aided secondary schools, controls the curriculum, though the exercise of this power may be affected by the LEA's overall policy;
- (5) determines pupil admissions, under arrangements agreed with the LEA;
- (6) is so composed as to be dominated by the voluntary body which brought the school into being.

39. The responsibilities and powers outlined in para 38 are a necessary part of that degree of independence enjoyed by aided schools which enables them to preserve their distinctive, usually denominational, tradition

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and ethos. The governing body is an agency of the voluntary body which guards that tradition and ethos, and which has a permanence like that of a LEA, but quite unlike the largely transient character which the governing body of a county or controlled school will have under the Education Bill 1986. It would not be appropriate to entrust, on a permanent and not a merely delegated basis, an aided school's responsibilities for employing the staff, external repairs, the curriculum and admissions to a governing body which neither had the permanence derived from being the agent of a charitable foundation nor possessed the stake in the school represented by the ownership of the premises.

40. It seems, therefore, that if county and controlled schools were to be given the distinctive features of aided schools, there would be little prospect that they would achieve a character, tradition and ethos which was different from that now intended for them by the LEA unless they achieved more or less the full status of aided schools both as regards the composition of their governing bodies and as regards their responsibilities. If that happened, the LEA would be responsible for maintaining schools which (apart from special schools) did not owe their existence to the LEA. It would however be only these schools in respect of which the LEA could exercise its function of securing sufficient and efficient education for all pupils in its area.

41. This new situation would introduce a new tension into the relationship between the LEA and the schools it maintained. The LEA would be dealing with a large number of governing bodies, each concerned only with its own schools and equipped with powers eg in relation to staffing, the curriculum and admissions which would enable it to pursue that concern with relatively little constraint from the LEA. In that situation it would

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be more difficult than at present for the LEA to discharge its functions. It could hardly manage to best effect a teaching force it did not employ, or easily ensure that all pupils found a place, preferably on the basis of parental choice, when each school was responsible for its own admissions. Nor could the LEA readily give effect to a consistent curricular policy in support of its distribution of funds between schools.

42. Indeed in this situation of tension the LEA would be liable to make undue use of its remaining powers eg its control over the staff complement, its veto over appointments and dismissals, and its responsibility for agreeing admission arrangements. In many cases the governing body would be at the financial mercy of the LEA, whether in respect of external repairs or otherwise, in a way which would negate the objectives of giving all schools aided status. To avoid these instabilities and conflicts, it would seem necessary to restrict the LEA's freedom to determine the staff complement and settle the finance for each school, eg by requiring it to adopt a formula for financial support determined by the Secretary of State.

43. Accordingly, once the power of the LEA over county and controlled schools is reduced so that it ceases to own the premises of the former and to employ the staff in both, and has very limited power in relation to the curriculum and admissions in both, the need for stability and the effective management of resources would probably make it necessary to give more autonomy to all LEA-maintained schools than is now enjoyed by aided schools. The schools would be more like ECS schools than like aided schools. The resultant system would have most of the principal features of an education credit system.

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TECHNICAL PAPER NO 4

GOVERNMENT MAINTAINED SCHOOLS

1. This paper considers what would be involved in the creation of a substantial new category of schools - Government maintained (GM) schools - which would co-exist with the present local authority - maintained and independent sectors. They would be financed by the Secretary of State; provide education free of charge to all their pupils; would be privately owned; and would be semi-autonomous, in that their independence of action would be subject to some control by the Secretary of State. They would cover both the primary and secondary age ranges. Since GM schools would be maintained by the Secretary of State, he would presumably require them to achieve a standard at least corresponding to that of a comparable satisfactory LEA school and in line with his policies for LEA schools set out in "Better Schools".

Scale of the scheme

2. There are currently some 26,000 schools (other than special schools) in England (see Table A). To give GM schools a significant presence in the system, a preliminary objective might be to establish 500 of them - about 400 primary and 100 secondary. In principle, GM schools might either be drawn from the existing stock of local authority-maintained (LEA) or independent schools, or be entirely new foundations.

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TABLE A: Schools in England

	Primary	Secondary	Total
County	12,800	3,500	16,300
Controlled	3,000	200	3,200
Aided	3,900	650	4,550
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All LEA schools	19,700	4,350	24,050
Independent	1,400	900	2,300
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Total schools	21,100	5,250	26,350
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Notes

1. The number of LEA schools is falling gradually in response to declining pupil numbers. The number of independent schools stays broadly constant, but a score or so of them close each year, and a similar number of new ones open.

2. Independent schools often take pupils across the primary/secondary divide, and the numbers catering for each range are therefore only approximate.

Character of GM schools

3. A GM school might typically have charitable status, and be run by a governing body constituted and incorporated under Articles of Government. The majority of governors might be appointed by the foundation or other interest which owns and controls the premises. There would be scope for elected parents and teacher governors, if desired. The powers of the governing body might in many ways be

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similar to those of the governing body of an aided school. Thus the governors would be responsible for the premises and external repairs, would control the curriculum and admissions, and would employ the staff. But, contrary to what now happens at aided schools, the maintaining authority would not determine the staff complement or be responsible for internal repairs and equipment. All current expenditure would fall to be met by the governors, with the help of a grant from the Secretary of State calculated on the basis of the number of registered pupils (though like LEA schools they could receive donations from parents or others which were strictly voluntary). It would be for consideration how far the Secretary of State gave financial assistance towards capital expenditure: if this was at the rate of 85% for all projects (as is now the practice for aided schools), this would be a big (but possibly expensive) inducement to existing independent schools or new foundations to seek GM status.

Finance

4. The financial relationship between the Secretary of State and the governors of a GM school would require much further consideration. In particular:

- (1) It would be necessary to devise consistent arrangements for determining the value of the grant per pupil, taking account of variations in such matters as the age of pupils and the size and location of schools. The GRE methodology may provide a starting point but would need refinement.
- (2) The Secretary of State would need to be able to satisfy himself that his grant was properly administered.
- (3) It would be necessary to establish the limits of the Secretary of State's financial responsibility in relation to a particular GM school.

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- (4) It might be appropriate to establish machinery to settle appeals by the governing body against the Secretary of State's financial decisions.

Curriculum

5. It is axiomatic that the Secretary of State should apply to schools which he maintains the policies for raising standards which he wants LEAs to apply to those schools which they maintain, and should therefore seek to secure in GM schools the curriculum and the teaching quality envisaged in "Better Schools". This suggests that teachers in GM schools should be adequately trained ie that they should be required to have QT status although this point might be further considered; that their qualifications and experience should adequately match their teaching task; and that the curriculum, although under the control of the governors, should comply with the Secretary of State's policy for the curriculum. It is also for consideration whether the Secretary of State should be associated, formally or informally, with appointments to key posts. It does not seem necessary to require the pay and conditions of service of teachers at GM schools to be subject to national agreements made in respect of LEA schools. But the Secretary of State might wish to apply to schools which he maintains requirements for eg teacher appraisal or in-service training which he laid down for LEA-maintained schools. It would be open to the Secretary of State to cease to pay grant if a GM school failed to reach standards acceptable to him in relation to the curriculum and teaching quality.

6. The Secretary of State's judgment on whether educational standards at a school (including relevant standards in such matters as accommodation and conduct) were acceptable would presumably depend heavily on the advice of HMI, based on regular inspection of the school. Further consideration is needed on how best to reconcile, in relation to schools in which the Secretary of State has a strong, direct interest,

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the policy of publishing HMI reports, the need for HMI to give confidential advice to the Secretary of State, and the independence of HMI.

Admissions

7. It is for consideration whether parents should have the same right to appeal against non-admission of their child to a GM school of their choice as they have in relation to non-admission to a LEA school of their choice.

Creation of GM schools

8. The creation of new schools, or the transformation of a school of one type into a school of another, affects the pattern of schools in the area and therefore the duty of the LEA to secure the provision of sufficient and efficient schools. Since GM schools would be financed from public funds, it seems appropriate that anyone who wished to establish a GM school (whether as a new foundation or via a change of status for an existing independent or maintained school) should be required to publish a proposal; and that the proposal should then be the subject of public consultation, in which interested parties (including the LEA) could take part. Such a consultation (including the consideration of objections) might precede a decision of the Secretary of State to maintain (and probably also to cease to maintain or to change the character of) a GM school, under procedures similar to those which now govern and would presumably continue to govern changes in the pattern of LEA-maintained schools. For example the Secretary of State's approval might be required before it was possible to establish a GM school with a specified character or admission scheme or to change the character and admission scheme of an existing GM school.

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9. If an existing voluntary school wished to acquire GM status, a formal proposal to that effect might be published by the governing body by virtue of its ownership of the premises, under the consultation procedures envisaged in para 8. If the proposal was approved, it might be appropriate to require the governors to compensate the LEA for capital expenditure it had incurred on the school eg on the cost of extensions in the case of a controlled school. But in the case of a county school there is no voluntary body with a stake in the school (reflected in the presence of foundation governors on the governing body). It is the LEA who own or lease the premises. It is difficult to envisage how anyone other than the ILEA itself could be allowed to propose GM status for a county school. If the LEA made such a proposal, it would presumably be because someone had come forward who had the means to acquire the LEA's interest in the premises of the school and to accept responsibility for managing the school. In such circumstances, the new GM school would be a new foundation which happened to make use of school premises which the LEA no longer required for a county school. A controlled school could become a GM school only if the Foundation governors wanted such a change of status and could persuade the governing body to propose it.

10. Paras 8 and 9 assume that whoever owned or leased an existing school could not be compelled to transfer it to GM status. It would be possible to empower the Secretary of State, if he considered that someone other than the owner or leaseholder of a school ("the promoter") would be willing and able to run it as a GM school, to publish a proposal to transfer the interest in the school to the promoter, and after a consultation process in which the owner (or leaseholder) could object to the proposal, to transfer the interest in the school to the promoter. Such a drastic power might require a right of appeal for the owner (the leaseholder). It is for consideration whether the power should be limited to county schools, on the grounds

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that a compulsory transfer of interest from one public agency to another is more defensible than if it is imposed on a private person or body. There could be a strong case for compensating the LEA for the loss of its interest in the premises, and it is for consideration whether the Secretary of State should be able or required to assist the promoter with the cost of such compensation.

Spread of GM schools

11. It is difficult to judge how many GM schools might be established in, say, the first 5 years. Much would depend on how attractive the financial arrangements were.

(1) Entirely new foundations might be promoted either by charitable or voluntary bodies or entrepreneurs. The first two categories might include bodies already providing schools (for example certain city livery companies) or new trusts: such trusts might be formed by:

- i. business interests with a concern for education;
- ii. by religious bodies;
- iii. or by groups of parents dissatisfied with the maintained schools in their area.

All those wishing to set up GM schools as new foundations are likely to be conscious of the political risks, and hesitant about operating in areas - such as the inner cities - where the LEA and perhaps the teachers would be hostile, particularly if the enterprise involved the compulsory transfer of a county school to GM status. Entirely new foundations are unlikely to be numerous unless the financial conditions of GM status were very favourable, and involved, for example, generous assistance with capital and start-up costs.

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- (2) Existing successful independent schools represent a relatively small reservoir. Most of them would be reluctant to exchange their autonomy for a degree of Government control over their provision and income. Less successful independent schools would probably not be likely to reach and maintain the standard required for GM schools.
- (3) For existing voluntary schools - a substantial reservoir - the transfer to GM status would represent an increase in autonomy for the governing body, even if the new paymaster were significantly less generous - and the reverse might be the case. For an aided school, the change would increase the independence of the governing body in relation to the paymaster. For example, the paymaster would no longer control the complement of the school, nor would the governing body necessarily have to be bound by agreements on pay and conditions negotiated for LEA-maintained staff. For controlled schools the change would additionally mean that, for example, the governing body became the employer of the staff and determined the admission arrangements.

12. The cost to public funds of creating GM schools from LEA schools is likely to be less than if they were created from existing or new independent schools. In the former case the bulk of the cost of maintaining the school would be transferred from the LEA to the Secretary of State, though the extra administrative cost to the Secretary of State would probably not be offset by countervailing LEA savings; and a GM school might come to enrol pupils who would otherwise have gone to an independent school. But the cost of maintaining a GM school which had been an independent school would be a net addition to public expenditure insofar as the pupils would otherwise have been educated at private expense. The cost of maintaining a newly founded GM school

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is unlikely to be offset by LEA savings, either because the pupils would have been educated at private expense or because the LEA's savings from not educating them would be marginal and be secured, if at all, only partly and over time.

13. The considerations in paras 11 and 12 suggest that the best prospect of establishing GM schools on a voluntary basis might be to seek to draw them mainly from existing LEA schools, while not excluding the possibility of establishing a few from existing independent schools and new foundations. Initially the best prospect might perhaps lie in transfer from the large reservoir of aided schools. Nearly all of these are denominational and the attitudes of the Church of England and the Roman Catholic Church would be crucial, though this would not in all cases determine the decisions of governing bodies. This attitude could not be established without consultation. The prospect of establishing many GM schools through the compulsory transfer of county schools to GM status seems doubtful, since even very generous financial inducements to new or existing charities and entrepreneurs may not appear to them to offset the risks.

Position of Secretary of State

14. By assuming responsibility for maintaining a category of schools the Secretary of State would become involved in detail in part of the publicly maintained sector of schools, alongside LEAs, in a way and on a scale which are unprecedented. The Department would have to learn how to discharge direct responsibilities in relation to individual schools, and to discharge them in addition to and in combination with the functions which derive from the Secretary of State's more general responsibilities for the education service.

Resources

15. It is difficult to offer estimates of cost until certain

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assumptions have been settled, in particular whether GM schools should be sought mainly from existing LEA-maintained schools (and from which class of schools within this category) or from existing independent schools or new foundations.

16. It seems inevitable that additional central Government manpower would be required:

- (1) to establish, manage and administer the grant system and the attendant functions which fall on the GM schools' paymaster.
- (2) To inspect and monitor the educational quality of GM schools.

Depending on the regime governing (1) and (2), these additional functions might call for something like 150 extra staff, if 500 GM schools were established. There are unlikely to be significant off-setting savings in local government, because these would be too scattered and marginal.

Legislation

17. Primary legislation would probably not be necessary to enable the Secretary of State to pay grants to GM schools, using existing regulation-making powers. But given the political risk of participating in a scheme involving Government support for independent schools, it is likely to encourage take-up if the scheme, like the Assisted Places Scheme were founded on new primary legislation. Such legislation would be required if public consultation arrangements (paras 8 and 9 above) or a right of appeal by governing bodies or parents (paras 4 and 7 above) or compulsory transfer of county schools to GM status (para 10 above) were incorporated in the scheme.

EXTENSION OF THE ASSISTED PLACES SCHEME

1. This paper considers the practicability and costs of extending the Assisted Places Scheme (APS):
 - i. on its existing basis (ie a scholarship scheme limited to secondary age pupils):
 - ii. to a wider range of secondary age pupils;
 - iii. to primary age pupils.

The existing scheme

2. The APS offers means-tested assistance with fees to a set quota of pupils at selected independent schools. There are at present 226 schools in the scheme, and by the time it has built up to its full planned extent in 1987, it will be assisting some 35,000 pupils in the 11-18 range, at a cost of about £50 million a year. About 10% of the places are for boarders, but assistance with fees excludes the cost of boarding. APS schools are required to admit at least 60% of their quota from maintained schools and currently nearly 70% of all places are filled by pupils previously at maintained schools.

3. The scheme is governed by Sections 17 and 18 of the Education Act 1980 and subordinate Regulations. None of these specify that the scheme should be restricted to "scholarship-quality" pupils, although it has been made clear in Parliament that this is the broad intention. The scholarship character of the scheme is secured by the criteria under which schools are selected to participate. All must offer a broad curriculum and have a strong sixth form, so that the school can cater for the needs and preferences of almost any high-ability assisted pupils. Schools admitted to the scheme are entrusted with the selection of their

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7. The maximum practicable expansion on the present basis therefore seems to be from the present planned 35,000 pupils to some 80,000 pupils at an extra cost of about £70 million pa. The expanded pupil numbers would be equivalent to about 3 per cent of secondary pupils in maintained schools. The extra numbers drawn from the maintained sector are unlikely to have a substantial impact on the viability of individual maintained schools.

More general extension for the secondary phase

8. A relaxation of the present criteria for selecting schools would bring further schools into scope. The APS would then cease to be a scholarship scheme. As a result the new lower minimum criteria might not be easy to determine and apply.

9. In general, it is unlikely that secondary schools with less than 200 pupils could offer an adequate standard of education for a wide ability range at a reasonably economic cost. 600 independent schools in England catering for secondary age pupils have more than 200 pupils. On the basis of paragraphs 6-7 above, some 265 of these would already be in the APS. It is difficult to estimate how many of the remaining 350 or so schools would meet the new lower criteria for selection, or be willing to join, or whether they would be ready, on average, to accept a quota of 50 per cent, or indeed more, of their intake. These schools are generally smaller than the present APS schools. About 100 of them are likely to be ineligible because they specialise for foreign nationals, pupils with special needs etc, and many of the remainder are unlikely to be able to meet the criteria. The new criteria might however encourage the establishment of new independent schools for the purpose of joining the APS.

10. Taking all these uncertainties into consideration, the lowering of selection criteria might eventually bring 25,000-50,000 extra pupils into the APS. The extra cost

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own assisted pupils, subject to the quota of places and the prescribed income test.

Expansion on existing basis

4. There are two routes by which the scheme could be expanded:

- i. increasing the pupil quotas of existing participating schools, and
- ii. bringing in new schools.

5. At present an average of about 25 to 30 per cent of the intake of participating schools is taken up by assisted places. Some schools take a considerably lower proportion and are believed unlikely to want to go higher; others take a considerably higher proportion, and some might be prepared to increase it. The higher the proportion, the more schools depend on the scheme. Given the known attitudes of participating schools, the highest level to which the average quota could probably be raised is about 50 per cent of intake. This would eventually mean a further 25,000-35,000 pupils (once the new intakes had worked their way through the schools), at an extra cost of some £35-50 million a year.

6. Only a limited number of independent schools satisfy the stringent criteria for admission to the APS. Most of these are already in the APS, and a number of the remainder have previously declined to seek to join. It is estimated that some 40 schools remain which might satisfy the criteria and be willing to join. If the average number of assisted pupils at these schools were also to reach 50 per cent of intakes, a further 12,500 places might eventually be added, at an extra cost of some £18 million a year.

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- assuming that the means test and parental income profiles remained unchanged - would be about £35-70 million a year.

Extension to primary age pupils

11. If it were extended to the primary age range, the APS could hardly retain its scholarship character. The criteria for selecting schools could not relate to public examination courses and would have to be much broader. Formulating and applying them would not be easy if selection were to be consistent and on the basis of reasonable quality. It is possible that the reservoir of eligible schools will prove to correspond fairly closely to membership of the Incorporated Association of Preparatory Schools. There are about 450 schools in England with this status. Many of these cater solely or mainly for boarding pupils, and would be unlikely (subject to paragraph 15 below) to be in a position to offer many assisted places. Since schools for younger pupils are more easily established than schools for older ones, the extension of the APS to the primary phase is likely to prompt the establishment of some new schools for the purpose of joining it. It is also likely that a proportion of preparatory schools would not wish to join. It is perhaps reasonable to suggest that 200-250 schools would be brought into the scheme.

12. These schools tend to be smaller than those in the secondary age range. Assuming an average of, say, 150 pupils per school and an average quota of 50% of the intake, there would eventually be some 17,000 assisted places for the primary phase. The cost of these might be of the order of £20 million a year.

13. The present legislation (which excludes primary age pupils from the scheme - see paragraph 16 below) requires the Secretary of State to have regard to the desirability of a balance between regions and between the sexes in selecting schools to join. The present supply of

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preparatory school places is heavily skewed towards certain regions and towards boys. In the short term at least, an extension of the APS into the primary phase would almost inevitably favour those regions where preparatory schools are plentiful, and would likewise favour boys. In the longer term the existence of the APS is likely to go some way to reducing these imbalances by prompting the provision of new places by new schools and extensions or changes to existing ones.

14. Since most pupils at preparatory schools are admitted after the age of 5, a condition that a given percentage of quota places should be filled by pupils from maintained schools is unlikely to have as much effect as in the case of secondary schools in securing that in a substantial proportion of cases the assistance with fees goes to pupils who would not otherwise have entered the participating school. It may therefore be difficult to ensure that assistance is so directed in the case of places gained by pupils of primary age.

Boarding provision

15. Under the present legislation only tuition fees may be charged to the APS. Quite a large number of additional places might be made available to the APS if assistance were to be extended to boarding fees. It is however assumed that this possibility should not be pursued on account of its cost: boarding costs, on average, are about twice those for day pupils.

Legislation

16. No primary legislation would be required to extend the APS within its existing terms. Some amendments to Regulations might be necessary if it were to be extended to secondary provision more generally. Primary legislation would be required to extend the scheme to pupils under the age of 11.

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Costs and manpower

17. Annex A summarises the best estimates possible at present of the eventual cost of extending the APS in a variety of ways. If all these possibilities were adopted, the additional annual cost could prove to be up to £160 million. As under the existing scheme, a proportion of this expenditure would go towards costs which would otherwise have been borne privately. It is uncertain what this proportion would be. There are unlikely to be significant savings in LEA expenditure in respect of pupils who would otherwise have attended a maintained school, because their incidence is likely to have a marginal effect on individual schools.

18. At present the APS is run by about 5 AEC-grade staff, and requires a further HMI input. An expansion is likely to require up to twice as much manpower, and perhaps more.

Timing

19. The pace for an expansion of the APS is in principle subject to two main constraints - the speed with which additional schools can be selected (which in part depends on legislation) and the extra funds which can be made available. It would be possible to subordinate the first constraint to the second, or vice versa.

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Comparison with scope of the Direct Grant Scheme

20. The Assisted Places Scheme can be seen as being, in large measure, the successor to the Direct Grant scheme. All but five of the 120 Direct Grant schools which went independent are now in the APS. There were in 1975 some 50,000 pupils in direct grant schools who - regardless of family income - had free places. Another 54,000 pupils also attended direct grant schools and the great majority paid the full fees, which were relatively modest because the Secretary of State's grant contributed to the total current expenditure of each direct grant school.

21. On existing plans, the APS will next year be providing some 14,000 places to pupils from very low income families, and a further 21,000 subsidised places to pupils from below average income families. If the APS were to be expanded on its present scholarship basis, it would be offering some 35,000 free places to pupils from very low income families, and a further 45,000 or so subsidised places to pupils from below average income families - ie its scope would be wider, and better targetted on those who most need it, than the DG scheme was.

SUMMARY OF COSTS OF APS EXPANSION

	<u>Pupil numbers¹</u>	<u>Cost per annum¹</u> (£m)
1. EXISTING SCHEME	35,000	50
2. Expansion on existing basis		
i. increased quotas to schools already in ²	25-35,000	35-50
ii. additional schools on similar quotas ³	12,500	18
3. General extension into secondary field ⁴	25-50,000	35-70
4. Extension to primary age range ⁵	17,000	20
TOTAL, ALL OPTIONS	114,500-149,500	168-218
of which, additional to existing provision	79,500-114,500	118-168

1
once fully built up

2
calculated as 50/25 or 50/30 X 35,000 pupils/£50 million

3
calculated at 40/226 X 35,000 pupils/£50m X 2

4
calculated as 80/226 or 160/226 X 35,000 pupils/£50m X 2

5
calculated as 225 X 150/2 pupils and £(225 X 150/2 X 1200)m respectively, with £1,200 as the assumed cost to public funds of a prep school pupil after means-testing.

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Improving the system's performance

1. This paper considers briefly certain changes relating to the LEA-maintained sector of education, with particular reference to the schools, on the assumption that:

- (1) The structure and functions of LEAs, school governing bodies and head teachers will be as envisaged after the enactment of the Education Bill 1986;
- (2) The functions of the Secretary of State will be as envisaged after the enactment of this Bill, (subject to the modifications considered in this paper);
- (3) The financial regime for local government will be as envisaged in the Green Paper.

Does the existing system meet the Government's objectives?

2. The question to be considered is how far the existing system, as defined in para 1 above, serves the Government's aim of raising standards and, in pursuance of that aim, the following objectives:

- (1) Responsiveness to consumer wishes.
- (2) Responsiveness to national needs identified by the Government.
- (3) Avoidance of excessive concentration of power.
- (4) Limitation of public expenditure.
- (5) Value for money.

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(6) Maximum benefit to pupils and students.

3. As regards consumer wishes, the system offers some prospects of responsiveness through the arrangements for giving effect to parental preferences in the choice of school, the reformed composition of governing bodies, the entrenchment of certain powers in such bodies, and the arrangements for making the governing body, and the head teacher and the LEA, answerable to an annual parental meeting. More generally, the LEA is answerable to its electors for how it exercises its wide discretion in adapting a national system to local circumstances, for example in the pattern of school organisation, and its curricular and expenditure policies.

4. As regards the objective of responsiveness to national needs, the system is less than wholly responsive to national needs identified by the Government. LEA policies may contradict the Government's priorities and the Government has only limited financial powers to serve the implementation of these priorities.

5. The system plainly meets the objective of avoiding the excessive concentration of power at the centre.

6. As regards public expenditure, the system has not been performing well in relation to the need to limit public expenditure wherever possible; but the regime envisaged in the Green Paper contains powerful incentives, and removes powerful disincentives, to economy.

7. As regards the objective of value for money, the system has been performing poorly in many respects; the Green Paper proposals and the work of the Audit Commission should substantially improve its performance.

8. As regards the objective of maximising the benefit which pupils and students derive from education, that is the objective which perhaps bears most closely on

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the aim of raising standards. What is sought is that each pupil or student should, as a result of receiving education develop, to the fullest extent permitted by his abilities and aptitudes, the knowledge, skills, understanding, attitudes and personal qualities required for adult life, citizenship and work. It is the pupil's or student's attainment in all those matters which should be the measure of the standards which the system achieves; and targets for higher standards should be expressed in terms of pupil or student attainment.

9. It is not possible to be sure what is the highest standard (as defined in para 8 above) of which pupils and students are capable either individually or in aggregate: too little is known about the potential or capabilities of individuals. Nor are there currently available performance indicators which measure attainment in all the matters in which it is sought. Nor is it at present possible to separate precisely the contribution which a school makes towards the realisation of a pupil's potential - the "value added" by the school - from the contribution made by other influences eg the pupil's home. Nevertheless certain performance indicators exist which, properly used, yield valuable information (in particular the results of public examinations at 16+ and 18+, and school attendance records), and it is possible to make broad, qualitative professional judgments about many aspects of attainment for which there are no such performance indicators; such judgments are made nationally by HMI, and locally by the professional staff of LEAs and schools.

10. On the basis of the available evidence it is clear that:

- (1) attainment at all levels of ability and aptitude varies greatly between comparable pupils from comparable economic and social backgrounds, and one can conclude that these variations are largely due to variations in the "value added" by schools;

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- (2) it is in principle realistic to aim at raising the attainment of all pupils at least to the highest level achieved by comparable pupils from comparable backgrounds;
- (3) it may be possible to raise attainment still further, i.e. above the best level so far achieved.

Accordingly the Government in "Better Schools" has set an aim - for pupil attainment - which in effect seeks to achieve the realistic levelling-up process in (2) above.

11. The policies in "Better Schools" still need to be fully implemented. Progress is perhaps fastest in the reform of the 16+ examinations system; the reform of initial teacher training (including the establishment of CATE); and, through the Education Bill 1986, the establishment of a new in-service training regime based on specific grant, the reform of school government, and an improved distribution of functions between LEAs, school governing bodies and head teachers. Much more remains to be done on establishing a sound national curriculum (not national syllabuses) which for example, makes available to every pupil the benefit of the lessons of the TVEI and makes full use of the potential of new technology to support work in the classroom; and on establishing records of achievement for all school leavers. On the very important issue of the quality and management of the teachers, other important developments are necessary if well motivated teachers of the right quality are to be deployed to best advantage throughout the school system; much of this depends on developing systematic arrangements for teacher appraisal.

12. These current and prospective measures to improve the performance of the school system so as to realise the Government's aim for higher standards of attainment would become much more effective if LEAs took their responsibilities in this regard as seriously as the

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Secretary of State takes his. It is the LEA which should ensure that pupils attainment in the schools it maintains is indeed maximised; that existing performance indicators are improved and new ones devised; that it knows - on the basis of the performance indicators and professional judgments available to it - what pupil attainment in its schools is, and how comparable schools perform in adding value; and that on the basis of this knowledge it makes the most effective use of its powers as paymaster, employer and manager of staff and resources.

13. None of these requirements is frustrated by the Government's policy of giving each school a life of its own, and a degree of independence to the governing body and the head teacher. Indeed the effectiveness of the reformed governing bodies in improving pupil attainment would be further enhanced if they received systematic and continuing training on a much larger scale than at present envisaged under the Education Bill 1986. But giving the governing body and head teachers entrenched powers vis-a-vis the LEA could, as Ministers recognise, create tensions in relation to the LEA's functions of managing the system.

14. Under the existing system it is not open to the Secretary of State to exercise these managerial functions on behalf of the LEA, nor could he conceivably acquire the knowledge and expertise (eg through HMI) to do so. It is neither possible nor desirable for the Secretary of State to undertake this monitoring at the level of the individual school. His task is rather to set the framework; to promote research and development where necessary to provide the tools including new and better performance indicators for use by LEAs and schools; and to undertake national level monitoring through HMI and APU to provide background knowledge against which the local position can be seen more clearly. But the system does place a general duty on him to ensure that each LEA uses its managerial powers in the interest of pupil (and student) attainments. His ability to discharge that

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general duty is limited by:

- (1) the arrangements for securing the professional effectiveness of teachers;
- (2) the mechanism by which LEA-maintained education is financed.

Modifications in respect of both these matters are proposed below. They could serve to improve the performance of the existing system in relation to most of the Government's objectives.

Teachers

15. We need well motivated teachers of the right quality deployed to best advantage throughout the school system. There are three main areas for Government action here. These are:

- (1) the supply of sufficient, suitably trained and qualified teachers with appropriate personal qualities, including teachers of shortage subjects such as mathematics, physics, CDT;
- (2) the management of the teacher force, including such matters as appraisal, in-service training, career development, deployment, promotion, and the dismissal of those who are incurably ineffective.
- (3) a pay structure, pay levels, and forms of contract and conditions of service which support supply and management of the desired kind and quality.

The quality of head teachers is crucial. Measures (within the scope of (2) and (3) above) to help secure the appointment as heads of the most suitable teachers, and to promote good performance from them in post, are therefore of great importance.

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16. The supply of sufficient and appropriate teachers, apart from certain shortage subject areas, is relatively well in hand. The provision of initial teacher training courses is steered and partly controlled by the Secretary of State. All such courses are being inspected by HMI, and all are under review by CATE. This work must be watched, but does not appear to be in need of major change or further major development at present. Long term improvement in the supply of teachers of shortage subjects is likely to depend on the achievement of satisfactory pay settlements, but a number of measures to alleviate the shortages, such as bursaries for trainee teachers, specially designed initial and in-service training courses and cooperative efforts with industry, are in hand.

17. The management of the teacher force is in much less satisfactory shape. This raises many complex issues. Moreover, as noted in para 13 above, there is a tension between the importance attached to the degree of independence individual schools should have in staffing as in other matters, and the responsibilities of the employing authorities for such matters as in-service training and career development.

18. The Government has already established an in-service grant scheme for training in national priority subjects, and plans a new specific grant regime for all in-service training from 1987-88. This work must be pushed forward and expanded, but full benefits can only be obtained from it if it is linked to active local authority arrangements for appraisal, career development, and the appropriate deployment of teachers. Appraisal has been caught up in the recent teachers' dispute. For the moment it must be pushed forward in the context of the ACAS-led negotiations on teachers' pay and conditions of service. Despite Ministerial encouragement and exhortation it is still a small minority of local education authorities

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who engage in systematic work on career development and positive deployment of teachers with promotion in mind - who identify, for example, teachers likely to make good deputy heads or head teachers in due course and who encourage those teachers to take part in appropriate in-service training and to widen their teaching experience with future promotion in mind. For the immediate future the plan is to make progress across this area through the introduction of the specific grant regime for in-service training. In the longer term wider specific grant powers, or a new education grant (see para 20 below), could be used to make grant conditional on effective local authority arrangements, including the use of the advisory service, for these teacher management matters. This approach could also apply to the removal of incurably ineffective teachers. On this last point it is for consideration whether the introduction of a General Teaching Council (GTC) might be helpful. A short note about the GTC proposition is attached. It must be doubtful whether a GTC largely under the control of the teacher unions could be expected to serve the Secretary of State's purpose. The alternative would be a GTC appointed by the Secretary of State, but it appears likely that such a body might be heavily dependent on local authority cooperation and identification of ineffective teachers. Moreover, any such body would presumably have to have much wider powers than teacher management, and might well conflict with CATE.

19. Neither a satisfactory supply of teachers nor satisfactory management of teachers - including crucial improvements in the selection and training of head teachers - can be expected unless the pay levels, pay structure, forms of contract and conditions of teachers' service are properly supportive of supply and management. The events of the past year provide strong evidence to the effect that it is most unlikely that these matters can be satisfactorily determined through collective bargaining between the teacher unions and the local authority associations, however such negotiations are carried out - free collective

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bargaining, collective bargaining within a statutory framework (Burnham), or assisted by ACAS. If Ministers conclude that the only realistic way of determining these matters to match the Government's objectives is through the use of a statutory review body covering both pay and conditions of service, then the question must be how to work towards the establishment of such a body. Ministers will not be able to agree to the local authority request for simple repeal of the Remuneration of Teachers Act 1965. The current ACAS exercise must be allowed its full chance to come up with successful outcomes. But meanwhile it is necessary further to develop ideas for a statutory review body, examining in particular possible terms of reference, methods of operation, coverage (school teachers, FE teachers, university teachers?), and methods of establishment.

20. Much of what is said in the previous paragraph about all teachers applies particularly strongly to head teachers. We need more in-service training opportunities for head teachers and potential head teachers, some of which might best be designed by successful head teachers in consultation with managers from industry and commerce. We need to encourage LEAs to improve their procedures for selecting new head teachers. Specific grant support for schemes to identify and train likely head teachers, and regulations to control appointment procedures, are possibilities. The appraisal of teachers should include provisions for head teachers to propose their own objectives and to evaluate their performance against those objectives. In all this the LEA advisory service has an important part to play, and may need to be strengthened.

Financial mechanism

21. A new financial mechanism is proposed with the following main features:

- (1) an education block grant for which the Secretary of State would be responsible to Parliament

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and on which he would deal directly with LEAs. The block grant would not be available for expenditure on services other than education. It would be based on each LEA's needs. It would not vary with the LEA's actual expenditure on education, but would be based on a nationally determined assessment of needs. It would assume an explicit local contribution to the financing of education. This would be the same per head for all authorities spending at the level of their needs assessment. Authorities spending below that level would be seen by their electors to be making a deliberate choice to benefit local taxpayers instead of spending on education. Marginal expenditure above the needs assessment would fall to be met entirely by the local taxpayer.

- (2) A separate education needs assessment. Under present arrangements there exist soundly based, comprehensible and generally robust GREs. The Green Paper proposals, which take care of the problem of resource equalisation, are in principle compatible with a wholly separate education block grant.
- (3) An increased power of specific grant - amounting to about 10-15 per cent of total local authority expenditure on education.
- (4) Capital expenditure on education would be separately controlled by the Secretary of State, perhaps on a gross expenditure basis.
- (5) A financial management information system based on statutory annual reports by each LEA on performance and value for money related to the objectives for the education system identified by the Secretary of State and using performance-indicators set by him.

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22. The Secretary of State's steering of the education service would be strengthened in the following ways:

- (1) The education block grant would be determined in the light of direct discussion between the Secretary of State and the LEAs, bringing a new clarity to the relationship. It would enable the Secretary of State to relate national policies more clearly to the total of grant to be made available for education and in the process to spell out what he expects of LEAs in terms of performance and the management of their resources. The Secretary of State would be better placed than now to reduce divergence of provision unjustified in a national service. The needs assessment for education would become normative in a way effectively prevented by the system of unhypothecated grants which is retained under the Green Paper proposals.
- (2) To the extent that LEAs failed to respond to national priorities, it would be open to the Secretary of State to reduce total education block grant and direct resources through specific grant. The support of up to 15% of total education expenditure through specific grant would enable the Secretary of State more effectively to secure and monitor the performance of LEAs in key policy areas and to vary the amount of grant according to his assessment of that performance. Specific grants enable the Secretary of State to set conditions in such a way that LEAs would only receive grant if they undertook to incur a pattern of qualifying expenditure that satisfied national objectives. The power to pay specific grants could be brought to bear directly upon areas of expenditure crucial to the delivery of more effective education. These would include expenditure on in-service

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training; appraisal systems for teachers, and local authority advisory services. In every case the Secretary of State would be able to set general and specific conditions relating to the delivery of national objectives. Thus grants for in-service training could be subject to conditions about better management of the teaching force or the development of teaching approaches which will adequately stretch bright pupils; and grants for growth in local authority advisory services to conditions about fully worked out curriculum policies and the readiness of LEAs to act upon particular aspects of HMI reports.

- (3) Capital expenditure on education, through individual LEA allocations, could be more clearly directed in support of national objectives: in particular it would be used to encourage rationalisation and statutory reorganisation.

23. The financial regime outlined in paras 21 and 22 would be supported by the features of the Green Paper proposals which are intended to control total public expenditure, in particular the proposals to widen the local tax-base; to ensure that the costs or benefits of any changes in LEA expenditure fall on the domestic taxpayer alone; to remove local authority discretion to finance extra expenditure at the expense of non-domestic ratepayers; and to retain a power similar to existing selective rate-capping powers.

24. As a general rule specific grants tend to promote additional spending, partly because they aim to level up provision. But this need not be so. In the present case the total grant for education would be fixed. If specific grant increased proportionately more than education

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block grant, it would be at the expense of the latter, and LEAs would be under pressure to reduce expenditure not qualifying for specific grant because their local residents would have to meet the grant shortfall if no reduction were made (and the equivalent of rate-capping would also remain available).

25. The financial mechanism outlined above can promote value for money in a number of ways:

- (1) A separate grant system and the annual discussion with LEAs that it entails ensures a clear and explicit link between national objectives and the national contribution to LEA expenditure. The national policies spelt out in terms of targets (eg surplus places to be removed or NAFE staff-student ratios) would be clearly perceived and would feed through into education needs, assessments and grant. It would be possible to work towards a disaggregation of national targets so that their consequences could be perceived and understood at local level. At present that just discernible process becomes lost in a needs assessment and grant system which is in support of all services.
- (2) The conditions attached to specific grants could be used to secure value for money as well as the delivery of national objectives.
- (3) LEAs would be required to address value for money directly in every area of expenditure as a result of the statutory requirement to report to the Secretary of State on performance and expenditure on the basis of a range of performance indicators and output measures. This material together with financial outturn information would form part of the analysis for the annual discussion with LEAs on education grant.

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- (4) Specific grants with precisely defined objectives and explicit conditions would enable the Secretary of State to monitor the effectiveness of the expenditure and the specific grant in question. This would require an extension of the function of HMI as his main source of information about the performance of the education system. Additional manpower would be required to enable HMI to make concentrated inspections of institutions and areas of activity directly affected by the specific grants.

Legislation

26. A decision to set up a statutory review body covering teachers' pay and conditions of service (para 19 above) would require legislation, which might have to be enacted in this Parliament. A separate grant regime for education (paras 21-25 above) would also require legislation. This could conveniently form part of the legislation which will implement the Green Paper proposals early in the next Parliament. If enacted then the separate grant regime would serve to support the objectives of the new arrangements for teachers' pay and conditions of service.

Manpower

27. A statutory review body for teachers' pay and conditions is unlikely to affect administrative manpower in central and local government. The manpower consequences of a separate education grant regime are difficult to estimate and would depend on how the regime was operated. Such a regime might require something like 40 additional administrative staff at the DES, plus perhaps 25-50 additional staff in HMI. There would also be some increase in the administrative staff of LEAs. But the increased value for money and efficiency in the use of resources could lead to significant savings in, for example, teacher manpower.

A GENERAL TEACHING COUNCIL AND THE ASSESSMENT OF TEACHER PERFORMANCE

1. There is a long history of attempts to form a General Teaching Council (GTC) to regulate the teaching profession. Successive Secretaries of State have reserved their position, but have never been faced with a proposal commanding agreement among the teachers' unions.

2. Recently the teachers associations have been meeting under the leadership of Mr Sayer (recently President of the Secondary Heads Association) and Professor Ross (recently Chairman of the Universities Council for the Education of Teachers (UCET)) to discuss new proposals for a GTC. Although there has been no formal agreement amongst them as to its composition and functions, we understand that they envisage a body dominated by representatives of the "registered teaching profession" but with representation on the governing body of central and local government, industry and parents. Such a body might:

- (i) grant or withdraw qualified teacher status (QTS), thus replacing the Secretary of State's power of approval of initial teacher training courses and the CATE role in scrutinising such courses against given criteria;
- (ii) control procedures for teacher probation;
- (iii) advise the Secretary of State in relation to forecasts of teacher demand, superseding ACSET, but still requiring access to DES data;
- (iv) advise employers and the Secretary of State on good practice in induction and in-service training;
- (v) take over the Secretary of State's role in relation to teacher misconduct.

3. We do not know what the attitude of the local authorities would be to these proposals. It would however seem unlikely that either they or the unions would see such a GTC as contributing much to the solution of the problem of ineffective performance by qualified teachers. In Scotland there has been a Teaching Council for some 20 years and this has dealt with teachers' misconduct matters, but in general has left ineffectiveness to be handled by employers.
4. It does not seem likely that the Secretary of State could steer the current deliberations of the teachers' unions to an acceptable conclusion, or that he could at the present time entrust these important matters to a GTC largely nominated by the unions.
5. An alternative would be a GTC designed and appointed by the Secretary of State. So far as the removal of ineffective teachers is concerned this Council would presumably rely upon employers to draw attention to specific cases of concern arising out of observation by their own advisory services and senior teaching staff. In order to make a recommendation to the GTC that a teacher should lose qualified teacher status, the employing authority or governing body would have to be prepared to take the view that the individual would not be any more effective in a different post. The central body would then have to take a decision on deregistration on the basis of the evidence before it.
6. In considering this possibility Ministers might want to bear the following considerations in mind.
 - (i) A body which was thought competent to judge whether a teacher is ineffective might logically claim to influence, if not to determine, what makes an effective one and therefore what sort of initial training is necessary for the achievement of qualified teacher status.

- (ii) In appointing members of the body there would be an obvious tension (as with CATE) between ensuring that their judgement is respected by teachers and their employers, and ensuring that standards are upheld consistently.

- (iii) The system would rely upon employers being prepared to make a general judgement about an individual's effectiveness in any teaching post. Given that all the individuals concerned will have passed probation earlier in their careers, the numbers involved could be very small, even if employers were willing to use the mechanism in principle.

- (iv) In practice the Secretary of State could expect strong opposition from all the main interests whose cooperation would be required, partly because of the implication that they cannot be relied upon to tackle these issues at the local level but mainly because of the damage to morale within the teacher force which might be expected to result from a continued focus on the ineffective minority, at a time when it is vital to rebuild confidence and good working relationships in the schools.

