

Subject

Chancellor.

CONFIDENTIAL AND PERSONAL



10 DOWNING STREET

From the Private Secretary

29 April 1986

Dear Bob,

HOW TO GET BETTER SCHOOLS

The Prime Minister this morning held a meeting to discuss policy towards education. The Lord President, the Chancellor of the Duchy of Lancaster, the Chancellor of the Exchequer and your Secretary of State were present. The meeting had before it your Secretary of State's paper of 26 March and its attachments, and minutes by the Chancellor of the Duchy (31 March) and the Home Secretary (7 April).

Sir Keith Joseph said the choice of options for the future could not be entirely separated from the tangle of teachers' pay, career structure and so on. There was no possibility that ACAS would make recommendations which were both affordable and acceptable to the Government, and the Government would have to choose sooner or later whether to reject the ACAS recommendations or to abort the process before the recommendations were made. None of the options would be effective unless the teachers were more or less willing to implement them.

In discussion, it was quickly agreed that the options for a nationalised system of education and separately elected education authorities could be ruled out. There were however differences about the proposal for Government Maintained (GM) schools and the proposal to rely on greater use of specific grants as the main lever for bringing pressure to bear on the state sector.

It was argued that the proposal for GM schools would not provide a real middle way between the state system and fully private schools. It was tragic that direct grant schools had been abolished. The result had been a major loss of educational opportunities. It should be possible to consider other possibilities along those lines - and others between the two extremes - recognising that this might mean the introduction of some charging for some parents at the point of use. Against this, it was argued that to attempt to recreate direct grant schools would be highly controversial and divisive, would damage morale in the state system, and, at best, would only lead to the creation of a few scores of schools, leaving the bulk of the state system untouched. It was suggested without discussion that an extension of the assisted places scheme would be expensive and would demoralise the state sector.

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The meeting considered the proposal for more extensive use of specific grants as a lever to achieve the Government's objectives for state education. Sir Keith Joseph said that the proposals in this area (technical paper no. 6) were directed towards improving education for the great majority of children. (The other proposals could help only a small minority.) They were in many ways a modest version of those set out by the Chancellor of the Duchy (minute of 31 March). They would not conflict with the proposed reforms of local authority finance: if a local authority were to defy the Government, the burden arising from a loss of specific grant would fall on the community charge.

In discussion of this proposal it was noted that greater use of specific grants would tend to lead to higher spending. The leverage of specific grants would probably have to be used vigorously, which would lead to a constant risk that decisions would be subjected to judicial review.

However, even if it could be made to work, the proposal did not go far enough towards allowing greater choice for parents, with all the pressures that would create for higher standards in state schools. The provisions for parental choice included in the 1944 and 1980 Education Acts had not worked as intended and greater thought should be given to ways to give them substance.

One model might be provided by the way in which the capitation fees received by GPs rose and fell according to the number of patients who chose to register with them: capitation fees would be attracted by schools in proportion to the number of children placed in each school by parents. LEAs would in essence act as paying agents. The level at which capitation fees would be set would be important and difficult to determine, but this should not prove an insuperable difficulty. Associated with this proposal - though also worth considering in its own right - it should be possible to devolve much more financial authority to headteachers.

On the other hand it was argued that proposals for vouchers or credits had been thoroughly studied in the past, and had been rejected. Credits would be highly controversial, they would not help parents in large areas of the country, the legislation would be massive and complicated and very substantial safety nets would be needed for children with special needs or who were refused entry to the schools of their choice. It would only be worthwhile to attempt a credit system if it were to apply to the whole country from the start: there was nothing to be gained from beginning with pilot schemes.

It was suggested that the curriculum also needed further study. There was a case for a nationally determined core curriculum. This would include mathematics, science, English and perhaps a foreign language, each subject possibly to be studied from a limited list of text books.

Observance of the curriculum would probably simply be required by legislation, rather than being enforced through financial penalties, though the DES could well need to take a stronger role in setting and overseeing standards.

Bringing the discussion to a close, the Prime Minister said it was important that the Government should demonstrate its concern for higher standards of education. Further work should distinguish between changes which could be made without legislation during this Parliament and those which would require legislation. The aim might be to publish a Green Paper in the early autumn which would discuss the more radical options followed by a White Paper early in 1987.

A further meeting of the group (somewhat enlarged) should be held in about two weeks. A free-standing paper would be needed for that meeting, which should specify fully the objectives and the assumptions and should consider

- (i) a full range of options for encouraging middle ways between state and private provision; some options might require the introduction of charging;
- (ii) a full range of options for increasing the ability of parents to choose in the state sector; one option would be a form of transferable capitation fee and a credit or voucher system could not be ruled out;
- (iii) ways of devolving more decisions in the state system to the level of the school;
- (iv) a nationally determined, standard core curriculum;
- (v) the supervisory, regulatory, and standard setting functions which might need to be exercised by DES under these more radical options.

I am copying this letter to Joan MacNaughton (Lord President's Office), Rachel Lomax (H M Treasury) and Andrew Lansley (Chancellor of the Duchy of Lancaster's Office).

*David*  
*David*

DAVID NORGROVE

Rob Smith, Esq.,  
Department of Education and Science