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10 DOWNING STREET
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18 September 1986

From the Private Secretary

Dear Rob,

HOW TO GET BETTER SCHOOLS

At a meeting with your Secretary of State this afternoon the Prime Minister referred to the Chancellor's point (which he mentioned at MISC 122 on Monday) that RSG was broadly equal to local authority expenditure on schools and related administration. The Prime Minister said this was an insight worth pursuing. If greater power were devolved to governing bodies and parents along the lines of the Education Bill and taken further by City Technological Colleges, it might be possible to make more drastic changes so that local authorities ceased to be responsible for education. They could then at the same time cease to receive central government grants and would stand on their own, to be dependent for their income entirely on receipts from business rates and the community charge. A change of this kind would need the most careful consideration both from the point of view of local authority finance and also from the education point of view. Parents, for example, now regarded education as a national service and it might well be difficult to find enough people to take the responsibility for running local schools. There could well be a need for umbrella organisations, particularly in difficult areas, which would help administer groups of schools. Some LEAs might become umbrella organisations. They could be known as local education trusts. Public schools might be able to help with the management of schools in their local areas.

The Prime Minister has asked that your Secretary of State should consider these ideas with the Chancellor, with a view to a meeting after the Party Conference on the basis of a paper prepared by the DES and the Treasury. Knowledge of the proposals should be kept to as small a group as possible.

Your Secretary of State made the point today that the City Technological Colleges will help establish three

principles: contracts between DES and schools, per capita funding and the core curriculum. The paper might discuss how these principles would by stages come to be applied to an increasing number of existing state schools, as your Secretary of State envisages, including how those schools would then be administered, and how the transition would be handled. The proposal of course raises a wide range of questions which need to be considered. They include the arrangements for negotiating and fixing teachers' pay, how per capita payments would be decided, whether school assets (and the related debt) would be held by the umbrella organisations or by school boards, the relative responsibilities of local areas and school boards as against central Government in providing capital, the organisation of the inspectorate, and arrangements for aiding closure of schools and the creation of new schools.

It would be useful if the paper could also cover so far as possible the implications of the proposals for local authority finance.

I am copying this letter to Alex Allan (HM Treasury).

Yours,

David.

David Norgrove

R. L. Smith, Esq.,
Department of Education and Science.