

PRIME MINISTER

Education without LEAs

1. I share your concern that the education system, particularly the schools, is failing the nation in certain places, because more and more local authorities are showing themselves unfit to discharge their educational responsibilities. Yet our national future depends more than ever on our having an education system which raises standards and achieves value for money. The very necessary reforms in the Education Bill do not strike at the root of the problem because they leave very substantial responsibilities with LEAs.

2. As you have requested, and with the agreement of the Chancellor of the Exchequer and the Environment Secretary, officials have prepared the attached paper about the implications of a radical change under which responsibility for education would be removed from local authorities. The paper outlines a regime in which in principle:

- (1) Each school and college would be a separate legal entity run by its own governing body.
- (2) The governing body would own, or have an established user right of, the premises and equipment and employ the staff.
- (3) The governing body would, subject to certain restrictions, determine the character of the institution, the admission of pupils and students, and the curriculum.
- (4) Each institution would be funded on a per capita basis i.e. its financial viability would depend on how far it was responsive to its customers, particularly parents.

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3. The paper raises many issues which are as much political as technical or financial. At first sight they seem to me in principle/capable of resolution. But we shall need to weigh the costs as well as the benefits, both politically and financially. In the attached note I have sought to identify those questions which we need to determine initially before further work is done. I draw particular attention to question 5. Not all the existing LEA responsibilities can be transferred to free-standing schools or colleges. We need to decide what those responsibilities are, which of them should be exercised by the Secretary of State and what agency should exercise those which he does not exercise.

4. I am copying this minute to the Chancellor of the Exchequer and the Secretary of State for the Environment.

K.B.


KB
Department of Education and Science

23 October 1986

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Questions to be determined initially

(References are to the relevant paragraphs in the officials' papers)

1. The aims of the change i.e. higher standards, greater responsiveness to customers, better value for money? (para 2).
*knowing responsibility which goes
can't escape from.*
2. Should education 5-18 be wholly, or at least largely, free of charge? (para 3).
Don't include it in LEA?
3. What is the desired balance of influence on the curriculum and standards as between the customers of schools and colleges and the Government? (para 20 (3)). If we move towards a common curriculum, what are the checks and balances we should need in the system?
4. How much, if anything, should the Government do to protect parental choice, not least from the effects of other parents' choices? (para 20 (5)).
5. What sort of agency or agencies should perform the functions which cannot be exercised by the schools (and colleges) themselves? (para 20-21).

6. The arrangements for the pay, pensions and training of teachers. (para 14-18).
7. Can the scheme be limited to the schools, or does one have to make different dispositions also for the LEA responsibilities for further and higher education, adult education and the youth service? (para 10-12).

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8. The implications for local government finance and central taxation. (paras 23-27).
9. The implications for local government structure. (para 28).
10. The implications for the dual system, particularly the relationship with the churches.
11. What form should the transitional arrangements take, so as to maximise speed and minimise friction and the blight on other necessary action and developments? (paras 29-31).
12. The public expenditure and manpower implications. (paras 32-34).
13. Political acceptability other than to vested interests.

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Education without the LEAs

1. This paper examines in outline the implications of removing from local authorities their existing responsibilities for education on the basis indicated in the No 10 letter of 18 September. It has been prepared by DES officials in cooperation with the Treasury and the DOE but with no participation by other Departments such as the Scottish and Welsh Offices. It relates only to England (but it should be noted that historically the educational regime in England has always applied also to Wales).

The objectives

2. The prime objective is so to redistribute the functions of LEAs^{so} that schools assume the maximum feasible responsibility for providing education. The aims of this redistribution of functions are to improve educational quality and standards, make the schools more responsive to their customers, and increase value for money.

3. For the purpose of the present paper it is assumed that:

- (1) full-time education from 5-16 would continue to be compulsory;
- (2) full-time education from 5-18 would be largely free of charge - such scope as there might be for limited charges for this age group (see Annex A) is unlikely to affect the main structure of the new regime for schools. The question of charging on a larger scale would require separate study.
- (3) The existing regime for independent schools (including the Assisted Places Scheme) would continue subject to any desired changes eg the introduction of City Technology Colleges.

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The functions of schools under the proposed regime

4. In principle, each school now maintained by LEAs would have its own legal personality (eg it would be a trust or a company limited by guarantee) and would be controlled by a governing body which would:

- (1) Own the premises, or have an entrenched user right in respect of them;
- (2) own the equipment;
- (3) employ the teaching and non-teaching staff;
- (4) be responsible for policy on the admission of pupils, thus determining the type and character of the school (subject to any control in this respect by the Secretary of State - see para 20 (5));
- (5) be responsible for curricular policy; (subject to any control in this respect by the Secretary of State - see para 20(3))
- (6) be funded (in relation to the school's current costs) by a grant originating from the Secretary of State which would be related to the number of pupils on roll and be payable on the basis of a written contract between the governing body and the Secretary of State (or his agent).

Although a governing body would generally be responsible for only one school, it could be convenient for a governing body to be responsible for (say) two or three closely related schools eg schools on the same site.

5. The precise legal status of governing bodies would need further consideration. They might have charitable status, but there are implications for charity and company law and complications where, as is now normal for voluntary (usually

church) schools, there is an existing trust or foundation. The composition of governing bodies would require consideration eg how far it should be regulated by statute to secure the representation of particular interests such as parents and the local business community. It is also for consideration whether one needs some statutory regulation of the respective functions of the governing bodies and their employees, particularly the head teacher.

6. Issues of policy and finance arise in relation to school provision for children below compulsory school age, many of whom are now admitted to LEA-maintained schools. These are discussed at Annex B, para 4 (1).

7. It is assumed that a governing body will in principle be free to admit young people above compulsory school age up to age 19. This raises issues about the relationship between the regime for schools and that for further education (see paras 11-12 below).

8. The principles on which the grant towards current costs might be calculated are discussed in Annex B.

9. The treatment of schools' capital expenditure needs further consideration. It is necessary to decide:

- (1) how far the Secretary of State needs to control capital expenditure by a governing body (including expenditure not financed out of public funds);
- (2) how far the Secretary of State should assist capital expenditure by a governing body;
- (3) how far the Secretary of State should control the disposal of capital assets by a governing body and the application of capital receipts.

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- (4) how the system of controlling local government capital expenditure should be adapted once education was no longer a local authority function.

Non-school educational functions under the proposed regime

10. Separate consideration is being given to a DES proposal to remove from the local authorities the greater part of their responsibilities for higher education (polytechnics and some other colleges engaged mainly in advanced work). On the assumption that this proposal is implemented, local authorities would be left, in the educational field, with:

- (a) some 550 major further education establishments engaged chiefly in non-advanced FE (NAFE);
- (b) a very unevenly distributed number of smaller FE establishments, chiefly specialising in adult education (AE);
- (c) the local authority-based youth service.

Current public expenditure on (a) (net of the MSC stake, as well as fees, etc) is about £900m; on (b) (net of fees) about £70m; and on (c) about £120m a year.

11. There is a large overlap of function between the FE colleges at (a) and the schools, and in some areas all maintained education between the ages of 16 and 18 is offered in FE (tertiary) colleges. In addition activities in categories (a) and (b) are to some degree inter-dependent; activity (c) is to some degree interwoven both with the schools and the FE colleges. It would therefore be logical to remove at least responsibility for category (a) from local authorities at the same time as responsibility for schools.

12. The approach might be as follows:

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- (1) the major FE colleges would be given a separate legal personality and be controlled by a governing body which would own or have established user rights in respect of the premises; own the equipment; employ the staff; and determine policy on the scope and range of courses. The basis of funding by the Secretary of State would need further consideration. Many of the students might be charged fees; but it would seem logical that at least those aged 16-19 studying full time would receive free tuition on the analogy of those attending schools post-16 or full-time students in higher education.
- (2) AE establishments might either be treated similarly to major FE colleges, or continue to be entrusted to local authorities.
- (3) The youth service might also remain with local authorities, or be put under the control of a national quango constituted for this purpose which would become responsible for funding it.

13. Local education authorities are at present also responsible for the careers service under the supervision of the Secretary of State for Employment. The service might be placed elsewhere in local government.

Teachers

14. There are three main teacher issues: pay, pensions and training. All three arise in relation to both schools and further education, where some 500,000 teachers are currently employed. (See Annex E).

15. The pay of both school and FE teachers is at present determined under the Burnham Committee arrangements, now under review. The two main alternatives currently under

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consideration are free collective employer/employee bargaining, and some form of review body. Independent schools can at present fix their own pay scales, but in practice most use Burham scales. If all schools and colleges become independent employers, but funded by Government, the broad level of teachers' pay would in practice be determined by what the Government was prepared to finance. There would be some scope for local variations: some schools might pay rather more than what the Government envisaged when determining grant, perhaps using voluntary contributions or, if some measure of charging were permitted (see Annex A), income from fees or charges, or by having larger classes; others might, for example, seek to pay rather less in order to release funds for equipment, extra posts, etc. Conversely, the general level of teachers' pay would continue to be the main determinant of the cost of education. Ministers, footing the whole bill, would be in a position to play a much more decisive role in pay determination than at present. This could extend to direct negotiations between the Government and the unions, or there could be recourse to an independent advisory body. But the use of an advisory body would not remove the need for pay rates to be accepted by the teachers' unions. But the fact would remain that the Government, although effectively footing the pay bill and thus involved in the pay determination process, would still not be the employer of the teaching force. This separation, as now, could lead to situations where the employers (to the extent that they developed a concerted national voice) and the Government did not see eye to eye, and to problems in handling such situations (including the handling of industrial disruption).

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16. Teachers in maintained schools, local authority colleges, and most independent schools, belong to the DES-run Teachers Superannuation Scheme. This is a notionally funded scheme. Its current value is estimated to be about £15.7b but this does not cover its liabilities, which might amount to about £35b including Pensions Increase. Replacing the notional scheme by a funded scheme would have a high cost to the Exchequer and pose investment market problems. The scheme would probably have to continue to exist in much the present form.

17. School teachers are at present required to be qualified under the Secretary of State's regulations. With few exceptions that means they have to have successfully completed an approved initial training course. Independent school teachers do not have to be qualified in this sense, but commonly are. The initial training system, and thus the supply of teachers, is substantially controlled by the Secretary of State, and would presumably continue broadly as at present. It would be for consideration whether schools financed by Government should be required to employ only qualified teachers.

CTCs are
not.

18. The Government is introducing new systematic arrangements for in-service training for both schools and further education teachers, supported by specific grants to local authorities. It seems possible that direct Government funding for in-service training, or earmarked funds to schools for in-service training, would be needed.

Non-teaching staff

19. Further consideration would need to be given to the arrangements for determining the pay, pensions and conditions of service, and for the training, of non-teaching staff who currently number some 260,000. (See Annex E).

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LEA functions not exercisable by schools and colleges

20. The following functions relating to education at school and college with which LEAs are now wholly or partly concerned could not be exercised by the governing body of a school or college.

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- (1) The determination of grants (current and capital) for each institution;
- (2) Assuring financial propriety at, and effective financial audit of, the institutions.
- (3) The determination of the educational standards to be achieved by each institution as a condition of its grant; the monitoring of the standards actually achieved; and the enforcement of the required minimum standards. These functions bear mainly on the curriculum of the institution and on its delivery, but also on such matters as standards of premises, health and safety. It would be necessary to resolve possible tensions between the objective of making institutions responsive to, in particular, parental custom and the objective of securing high educational standards. It is assumed that Government would wish to have the final say in the definition and enforcement of such standards including such matters as the range and content of the curriculum which was compulsory for all pupils.
- (4) Securing a place at a suitable school for all children of compulsory school age. Parents may be unable to secure admission for such children for example because governing bodies are unwilling to admit particular children (including perhaps

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handicapped children who ought to attend an ordinary school), or because there is locally a shortage of places eg because of population increase not immediately met by the establishment of new schools, or the inability of a governing body to keep open a financially failing school. It would be necessary to empower some public authority for example to compel the admission of particular children, to take over failing schools or to oblige a governing body to increase the size of a school.

- (5) The arrangements for protecting parental choice eg for denominational, single-sex or selective schools (this issue has implications for public expenditure on school transport). It will be necessary to consider whether to maintain appeal arrangements against non-admission; and how far to restrict the freedom of governing bodies (or promoters of new institutions) to change the type and character of a school without reference to the effect this would have on the type and character of provision available in the locality. At present such changes are considered through a public process and changes to which there are substantial local objections can be made only with the approval of the Secretary of State.
- (6) Enforcing school attendance in respect of pupils for whom there is a place i.e. dealing with truancy.
- (7) The provision directly or through others of special schools i.e. schools catering only for children whose disabilities and special needs are such that they require much greater and more specialised resources to educate than can be made available at ordinary schools.

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- (8) The arrangements for the pay, pensions and training of teachers - see para 14-18 - and of non-teaching staff - see para 19.
 - (9) General oversight over the appointment of members of governing bodies, especially where insufficient suitable people came forward to serve, and the training of governors.
 - (10) Certain support services which individual governing bodies are ill-placed to provide eg educational psychologists, music teachers serving a range of schools, and in the case of smaller schools meals and transport arrangements.
21. Some of these functions could probably only be exercised by the Secretary of State, for example the determination of grants and of educational standards. As regards the remainder there are in principle 3 options:
- (1) all the functions could be exercised by the Secretary of State through an enlarged DES operating through a new regional/area organisation. This would give him direct control over the detailed discharge of the functions and make him directly accountable for it to Parliament. The civil service manpower implication could be substantial (though local authority manpower would be reduced).
 - (2) Functions other than those reserved to the Secretary of State could be exercised on his behalf by a national quango or a number of regional/area quangos, at least the majority of whose members would be appointed by him, with whatever degree of delegated authority for decisions of detail was desired. This would give the Secretary of State agents beholden to him, without making him responsible for the agents' detailed decisions;

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and would enable him to associate with the work local people with local knowledge (including persons nominated by local authorities).

- (3) The functions not reserved for the Secretary of State could be given to local authorities on the basis of a 100% grant for the cost of discharging them, and with no power to spend money not covered by the grant. It is doubtful whether all local authorities would conscientiously act as the Secretary of State's agents. If they obstructed him or declined to act, his only practical remedy would be to adopt option (1) and (2) above.

Under options (1) and (2) the staff required would, at least initially, probably have to be mainly staff transferred from LEAs.

22. It would seem difficult to operate, and defend, a system whereby the same function could be exercised by a different type of agency in differing localities, depending on the decision of the Secretary of State about the type of arrangement he preferred.

Effects on Local Government Finance

23. Annex F shows the main items of local authority rate fund income and current expenditure in 1986/87, based on budget information. Local authorities are expected to incur some £12.0bn recurrent education expenditure; debt charges attributable to education capital might add a further £0.7bn. In the same year the Government proposes to make available £11.8bn in Aggregate Exchequer Grant to local authorities. On the face of it, the present net balance between the rate-payer and taxpayer could therefore be roughly maintained by funding education centrally but leaving other local authority services to be financed entirely from the rates.

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24. However, this assumes that the whole of AEG could be switched to fund education. Some £2.8bn of AEG is being paid in 1986/87 in specific grant in support of services other than education, for example police grant. Unless these services were to be funded entirely locally - and that seems highly improbable - the proportion of total public expenditure financed from national taxation would increase.

25. Furthermore block grant cannot be entirely eliminated. Under present arrangements grant is needed to achieve equalisation between authorities for differences in rateable resources and in needs. Under the system proposed in the Green Paper "Paying for Local Government" grant will still be needed to equalise needs for the remaining services though it will no longer be needed to equalise rateable resources. £3.8bn of needs grant (£4.6bn of block grant under present arrangements) is likely to be needed for these purposes.

26. Taking account of these factors the following sums will have to be provided at the outset from central sources, with arrangements on the lines proposed in this paper:

	Under present Local govt finance arrangements	Under the Green Paper proposals
	£billion	
For education	<u>12.7</u>	12.7
Specific Grants	<u>2.8</u>	2.8
Block or needs grant	<u>4.6</u>	3.8
Less: Aggregate Exchequer Grant	11.8	11.8
= Extra central finance required	<u>8.3</u>	7.5

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27. To provide this extra finance from existing central sources would be equivalent to adding 6 to 7 pence on the basic rate of income tax or 9 to 10 percentage points on VAT. There would be offsetting reductions in local tax bills but the effects on individual taxpayers would be very variable. Another possibility would be to extend the present range of central taxes by adding to them the yield of non-domestic rates (£7.8bn). This could only be done in the context of the larger local finance reforms scheduled for 1990 but at the expense of going back on the proposal in the Green Paper "Paying for Local Government" that the income from the non-domestic rate should be available to local government and distributed to local authorities on a per capita basis. There could also be presentational difficulties in any arrangement which might appear to link business rates to the provision of education; and there would no doubt be concern from business if there were any suggestion of translating business rates into a central revenue variable at the discretion of the central government, rather than fixed and index-linked as proposed in the Green Paper.

Effects on Local Government Structure

28. Annex G shows the distribution of local authority functions with education removed. The authorities now responsible for education - shire counties, metropolitan districts and outer London boroughs - would all have sufficient remaining functions to be viable, although most would lose over half their staff and revenue expenditure. ILEA would disappear. However the case for doing away with the two tier system of counties and districts in the shire areas, which is already being advanced following the abolition of the counties in the metropolitan areas, would be substantially strengthened. Any such change would probably involve amalgamation of some districts, but there seems no reason why any structural reorganisation should not follow at a later stage.

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Transition to the new regime

29. The arrangements for the transition to the new regime depend substantially on what is decided about many of the features of that regime. Subject to that large proviso, there are in principle three approaches to the transition:

- (1) To devise one or more interim stages affecting the whole LEA-maintained system (or at least the school system) and moving through these to the desired final regime. One such stage is offered by the implementation of the Education Bill which in this respect will begin to take effect in September 1987 and will be complete in September 1989. It would be for consideration whether the transition to the proposed new regime should incorporate or supersede (and perhaps abort) this implementation. It is possible to conceive further stages, for example giving every LEA-maintained school the same status ie the same rights and obligations as voluntary aided schools now have. Such a change would in itself be radical and controversial and entail legislation which might prove to be little less extensive and complex than the legislation required to establish the proposed regime in full. Because LEAs would continue to have the power to act independently in relation to the schools, the risk of continuous tension and instability is great. The issues are developed in Annex C.
- (2) To bring some categories of institution into the new regime before the others. The possibilities include:
 - (a) applying the new regime more quickly to voluntary aided schools (which already have a degree of independence from the LEA);
 - (b) applying it more quickly to colleges offering mainly non-advanced further education.

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The legislation and administrative complications would need further consideration. The arrangement would leave to be tackled last the largest category - county schools - in respect of which Ministers have expressed particular concern.

- (3) To remove all educational responsibilities from local authorities simultaneously. Thereafter the new regime would be established gradually through appointed bodies who would immediately take over the LEA's functions, but would only gradually establish new governing bodies for institutions, confer on them the new functions envisaged for them, and hand over the residual functions described in para 20 above to whatever agencies are to discharge them under the new regime. Obviously if those agencies were to be quangos appointed by the Secretary of State, they could take these over from the LEAs ab initio.

30. It will be necessary to consider how the chosen approach to transition would interact with the transitional arrangements for the local government finance proposals. Unless there is a clean break in the arrangements for financing education, it is likely to prove very difficult to carry out these two transitions jointly. From the point of view of LEA accountability it would help if the Green Paper and education changes were undertaken at the same time.

31. Whatever approach to transition is adopted, it is likely that friction, delay and extra expenditure could be reduced in the following ways:

- (1) The interest in school and college premises now vested in the LEA might be transferred not to the governing bodies of schools and colleges but

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to a national body (or a number of regional bodies) who would lease them to the governing bodies at a peppercorn rent on the basis of standard agreements. Such an arrangement would concentrate in expert hands the task of sorting out the many legal issues arising from the transfer of the property interests involved.

- (2) There might be no compensation to LEAs for the loss of their interest in educational premises on the precedent of the NHS Act 1946.
- (3) The voluntary bodies' existing property interest in the premises of voluntary schools would not be disturbed.
- (4) The staff of schools and colleges (other than those employed at aided schools by the governing body) might be statutorily transferred to the new governing bodies to avoid redundancy payments. But this would not enable the governing bodies to select from the institutions' existing staff those whom they wished to retain. It would also mean that initially per capita payments to schools would have to reflect existing disparities in staffing.
- (5) Changes in the pattern of school organisation approved but not completed before the new regime is introduced might be allowed to take place.

Resources

32. Quantification of the public expenditure and manpower implications depends on decisions about a variety of aspects of the new regime and the transition to it. Meanwhile certain general points can be noted.

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33. The total of public expenditure on education would come under the control of the Government to a greater extent than at present: the Government's plans for it could not be frustrated by over-spending authorities. But there would be direct pressures on the Government for increasing public expenditure which would arise from, or be reinforced by, the nature of the new regime. Among these pressures would be:

- (1) The Government would be pressed to fix the (highly visible) basic per capita grant at a level well above that needed by the most efficient governing bodies.
- (2) Individual governing bodies would press the case for higher than basic grant to accommodate their special circumstances.
- (3) The Government would be pressed to meet rising demand for provision for children under 5 and for those continuing in full-time education 16-19.
- (4) Changing demand for places in particular institutions would generate extra costs until the necessary adjustments to provision were made.
- (5) Capital expenditure for premises and equipment would be hard to control.
- (6) The transition to the new regime would create its own, shorter-term, pressures: for example a financial safety net for the transition period would be needed, since current LEA expenditure ranges from 15% below GRE to 70% above it (see Annex D).

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34. As regards manpower;

- (1) The administrative costs and overheads which would be incurred by several thousand governing bodies might tend in total to exceed those incurred by 97 LEAs in respect of the functions in question, insofar as there are diseconomies of scale and a dispersal of expertise.
- (2) The loss of education responsibilities might not lead to a fully proportionate saving in administration in all the local authorities concerned.
- (3) Over much of education there is now for most purposes in effect only one agency: the county schools are in many respects merely an extension of the LEA. Under the new regime there would be in this area two separate agencies, the governing body and the agency responsible for supervising functions. The interaction of the two is likely to generate pressure for more manpower.
- (4) Under the new regime the inspecting and enforcement function of Central Government would be more extensive and require extra manpower at the centre.

Timing

35. The time-table for the change to the new regime would depend mainly on:

- (1) the exact nature of the regime.
- (2) The approach adopted towards the transition to the regime.
- (3) Decisions about the time to be allowed for preliminary public discussion and consultation

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and for the preparation and passage through
Parliament of the necessary legislation.

Charging for full-time 5-18 education

1. Under the new regime, governing bodies of schools and colleges would, as now, be able to receive voluntary contributions from parents and others. It is assumed that fees covering the full cost of full-time education for the 5-18 age group are not envisaged. What is for consideration is a modest charge towards these costs, sufficient to achieve a significant saving to the exchequer and to encourage parents (and students) to appreciate the significance and value of what is provided.
2. First, there might be a standard charge of say, £50 a term. It would be low enough to make unnecessary a complicated system of fee abatement to match parental income, but some scope for total fee remission for the poorest parents would probably be unavoidable. In respect of the compulsory period of education, the charge would be criticised as having the character of a tax. It might be administratively simpler to levy it by a reduction in Child Benefit (with no reduction for the lowest income families). In respect of 16-18 year olds, the charge might be a disincentive to continuing in full-time education post-16.
3. Second, governing bodies might be required to charge for certain types of provision eg some forms of physical education or instrumental music tuition. Unless this requirement extended to a significant proportion of the curriculum, the total amount raised from charges would be very small. It would be very difficult to establish consistent and defensible rules for distinguishing between "essential" items of the curriculum for which no charge would be made and "optional" items for which a charge was required.
4. Third, governing bodies might be empowered to charge fees (up to a stipulated maximum) or to charge for particular

"optional" items. It would be necessary to know how to treat pupils from poor families both where admission to a popular school depended on ability to pay the fees, and where the only available, or suitable, school in the locality charged fees.

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ANNEX B

Determination of grants for current expenditure for schools

1. The present block grant system of local government finance is based on a determination of each local authority's need to spend on the services that it provides. The education component of this GRE is essentially based on a standard credit for each pupil of compulsory school age with different rates for primary and secondary school pupils. This standard rate is modified to allow for variations in cost due to population sparsity (which leads to smaller schools and higher transport costs); for variations in the expected number of pupils with additional (and more costly) educational needs; and for higher labour costs in London. Annex D shows GRE per pupil and unit costs for the main categories of LEA.

2. These modifications are made by reference to statistical information collected at the level of the local authority. They take no account of variations in the unit costs of schools within each local authority. At present Cumbria, for example, receives 5% more per pupil than an urban authority because of the sparseness of its population. But the range of costs for individual schools in the county is very much greater: a primary school in Carlisle or Barrow may have costs close to the average for urban authorities but the unit costs of small isolated village schools may be twice as high. Similar problems arise in inner city areas where schools within the same local authority may cater for a mix of pupils with widely differing education needs with costs substantially different from the average for the area as a whole. The underlying assumption is that necessary differentiation is achieved by each local authority in the light of its knowledge of local needs and circumstances

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when it determines funding for each school. The national formula is thus moderated locally.

3. In principle this system could be applied to the per capita grants by paying each school the equivalent of the GRE credit. But this would be too crude to take account of variations in costs between schools within the same area. In order to produce a national formula that was equitable and sensitive to the real needs of individual schools, it would be necessary to mount a very substantial annual statistical exercise to obtain data at a high degree of disaggregation and in relation to individual pupils. It is questionable whether this would be feasible. It would probably be necessary to rely on a combination of objective data collected at the level of the local authority and of subjective judgments made on the basis of local knowledge by whatever agency exercised the function of determining grants in detail and distributing them. The agency would be charged with acquiring knowledge about local conditions which would enable it to fix per capita payments for individual schools in the light of an initial distribution of resources by a national GRE formula and any additional broad national guidelines.

4. Particular issues which would need to be considered further include:

- (1) the treatment of under-5 education. LEAs have discretion as to the provision that they make for under-5s. At present this discretion is reflected in the GRE, which is allocated by reference to the LEA's total under-5 population (modified for social composition of the area), not actual numbers in education. Under-5 provision varies widely between LEAs. One solution would be to charge for all under-5 provision but much of it is an

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integral part of primary school provision. An alternative would be some form of rationing system administered through the agency in order to contain costs nationally.

- (2) Repairs and maintenance represent a variable element in unit costs not easily treated within a national formula. Per capita grant to each school might include a notional element for minor capital items such as equipment, repairs and maintenance. Governing bodies might be required as a condition of funding to maintain a reserve to cover irregular expenditure of this kind.
- (3) The calculation of the scale of grant would need to be sensitive to changes over time in the size of the school. If a pupil were withdrawn from a school, or not recruited in the first place, the school would lose a full unit of income while making only marginal savings. At particular points in movements in numbers on roll it would be necessary to adjust the number of staff, equipment or accommodation and there would then be steep changes in the grant needed. A degree of arbitrariness in the grant calculation might have to be accepted.
- (4) The treatment of post 16 students whether in school or in non-advanced further education. The credit for pupils over 16 in school would need to recognise the higher costs of sixth form education (as the GRE does at present) and could be distributed on the basis of actual numbers.
- (5) At present LEAs' school transport and school meals arrangements are not organised on an individual school basis. Local variations might need to be handled by the agency.

Making county and controlled schools like aided schools

1. As suggested in para 30, one approach to the transition to the new regime would be to devise stages through which the whole LEA-maintained system (or at least the schools) might move. One possibility is to create such an intervening stage by giving to county and voluntary controlled schools some or all of the distinguishing features of voluntary 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.

2. The responsibilities and powers outlined in para 1 are a necessary part of that degree of independence enjoyed by aided schools which enables them to preserve their distinctive, usually denominational, tradition

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, 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.

3. 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.

4. 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 school 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

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.

5. 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 might be 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.

6. 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 might make it necessary to give more autonomy to all LEA-maintained schools than is now enjoyed by aided schools. The resultant arrangements would come very close to the permanent new regime. It might therefore be better to avoid the legislative and organisational complication of the intervening stage and to proceed directly to the permanent regime.

GRE per pupil (£/h)

England 1984-85

	Sub-service GRE/head	GRE Element due to:		
		Additional Educational Needs	London Weighting	Sparsity
PRIMARY				
Outer London	817	110	56	---
ILEA	889	168	80	---
Met Districts	784	103	---	4
Shire Counties	759	66	2	27
England	775	84	10	17
SECONDARY BELOW SCHOOL LEAVING AGE				
Outer London	1106	148	76	---
ILEA	1265	239	114	---
Met Districts	1004	131	---	4
Shire Counties	957	85	2	23
England	992	108	12	15
SECONDARY ABOVE SCHOOL LEAVING AGE				
Outer London	1882	17	127	---
ILEA	2077	32	187	---
Met Districts	1665	22	---	3
Shire Counties	1759	13	6	23
England	1764	17	25	15

Notes: (1) The GRE figures have been adjusted to bring them as close as possible to net institutional costs ie amounts for transport, special education and administration have been subtracted. Note also that GREs exclude income from specific grants.

(2) Pupil numbers at January 1985 have been used. In the case of primary these have been boosted to include the under 5s in schools.

AVERAGE UNIT COSTS AND UNIT GRES (ENGLAND) 1984-85

	PRIMARY SCHOOLS				SECONDARY SCHOOLS			
	Unit Cost £	Index No	Unit GRE Allowance £	Index No	Unit Cost £	Index No	Unit GRE Allowance £	Index No
Outer London Boroughs	865	114	817	105	1250	115	1196	112
ILEA	1255	165	889	115	1940	179	1348	127
Met Districts	770	101	784	101	1080	99	1059	100
Non-Met Counties	710	93	759	98	1015	94	1029	97
ENGLAND	760	100	775	100	1085	100	1062	100

PRIMARY SCHOOLS IN ENGLAND

UNIT COSTS IN 1984-85

£ per pupil

	AVERAGE	INDEX NUMBER	LOWEST	LOWER QUARTILE	UPPER QUARTILE	HIGHEST
Outer London Boroughs	865	114	720 (Sutton)	780 (Bromley)	920 (Hounslow)	1155 (Haringey)
ILEA	1255	165				
Met Districts	770	101	655 (Bolton)	725 (Wigan)	830 (S Tyneside)	900 (Newcastle)
Non-Met Counties	710	93	645 (Kent)	680 (Hereford & Worcs)	730 (Derby)	815 (Humberside)
ENGLAND	760	100				

SECONDARY SCHOOLS IN ENGLAND

UNIT COSTS IN 1984-85

£ per pupil

	AVERAGE	INDEX NUMBER	LOWEST	LOWER QUARTILE	UPPER QUARTILE	HIGHEST
Outer London Boroughs	1250	115	1040 (Merton)	1165 (Kingston)	1315 (Ealing)	1615 (Haringey)
ILEA	1940	179				
Met Districts	1080	99	950 (Kirkless)	1020 (Solihull)	1150 (S Tyneside)	1295 (Manchester)
Non-Met Counties	1015	94	935 (Kent)	975 (Wilts)	1040 (Salop)	1110 (Notts)
ENGLAND	1085	100				

MANPOWER 1984-85

ANNEX E

		Teaching Staff					Non-teaching Staff					Grand total (ie sum of total columns)	
		Nursery/ Primary	Secy	Spec	Polys	Omes incl adult	Total	Ed Supp	Premises related	Admin & Clerical	School Meals, Catering & Residence		Total
England	000s fte	166.7	224.1	18.8	16.2	77	502.8	62.5	83.8	37.1	77	260.4	763.2
	£m	1931.4	2668.8	209.7	263.8	893	5946.7	416.5	449	248.3	281	1395	7341.5
OLBs	000s fte	16.0	20.2	1.8	1.7	7.0	46.7	6.1	7.7	3.0	4.6	21.3	68
	£m	196	255.6	22.4	30.3	84.4	588.7	46.6	50.4	28.2	24.6	149.8	738.5
ILEA	000s fte	9.6	10.5	1.4	2.9	7.5	31.9	6.2	6.7	3.2	5.4	21.3	53.2
	£m	113.2	135	18.2	43	72.6	382.2	53.7	48.6	29.4	23.4	155.1	537.3
Met districts	000s fte	42.5	57.4	5.1	5.9	18.4	129.3	17.3	22	9.2	25.5	74	203.3
	£m	483	678	57.1	95.6	210	1503.7	108.8	114	60.2	81	364	1867.7
Non-met Counties	000s fte	99.0	136.3	10.3	5.7	44.2	295.5	33.7	46.9	21.8	41.5	143.9	439.4
	£m	1139	1600	112	95	526	3472	207.4	236.3	130.5	152	726.2	4198.2

Notes: 1 All information taken from CIPFA estimates, subject to revision when actuals available. CIPFA's November 1983 price base re-priced to 1984-85 using overall repricing factor.

2 Staff numbers in meals column relate to schools and FE. Expenditure figure relates to schools only - no separate identification of expenditure on catering staff in FE.

3 In addition, LEAs in England employed around a further 40,000 fte workers in the youth, education psychology, welfare and administration and inspection services.

LOCAL AUTHORITY INCOME AND SPENDING

The figures below give a broad indication of local authority rate fund income and spending based on 1986/87 budget information. These exclude Housing Revenue Account and direct Exchequer subsidies such as Housing Benefit and Mandatory Student Awards.

INCOME	£m
Rate Support Grants	8,978
Non-Domestic Rate Income	7,800 (a)
Domestic Rate Income	7,200 (a)(b)
Relevant Specific and Supplementary Grants	2,872 (c)
	<hr/>
	26,850 (d)
	<hr/>

(a) Non-domestic and Domestic rate income includes a total of approximately £200m for London Regional Transport.

(b) net of domestic rate relief grant (included in RSG) but gross of rate rebate grant (not included in RSG).

(c) of which the major grants are Police (£1,473m), Housing Improvement (£490m) and Urban Programme (£185m).

(d) in addition, local authorities have an income to the rate fund from fees and charges of approximately £2,600m.

CURRENT EXPENDITURE (net of fees and charges)

1. <u>Overall</u>	£m
Education (including School Meals and Milk)	12,028
Libraries	434
Personal Social Services	2,676
Home Office Services	3,964
Transport	1,875
Local Environmental Services	2,765
Agricultural Services	122
Consumer Protection	67
Employment	94
Non-HRA Housing	129
Housing Benefits	157
	<hr/>
Local Authority Relevant Current Expenditure (for Public Expenditure purposes)	24,318 (a)

(a) Local Authority Spending also includes amongst other things:-

Loan charges £2,503m (of which Education £698m)

Mandatory Student Awards £69m (net of Exchequer grant)

2. Education Sub-Head split for 1986-87 (Estimated)

	%
Nursery	Less than 0.5
Primary	29
Secondary	39
Special	4
Polytechnics	6
Other FE	12
School meals	4
Other Education	6
	—
	100 (total in 1986-87 = £12,904m)

DISTRIBUTION OF MAIN LOCAL AUTHORITY SERVICES IN ENGLAND
(OTHER THAN EDUCATION)

SHIRE COUNTY AREAS

<u>County Councils</u>	Personal social services Fire Civil Defence Public passenger transport* Highways and other transport Careers Service Libraries Refuse disposal Recreation facilities* Planning (strategic issues, waste disposal, mineral Consumer protection
Police**	Probation Magistrates' Courts

<u>District Councils</u>	Housing Refuse collection Recreational facilities* Environmental health Planning (local plans and development control) Public passenger transport (including concessionary fares)*
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* concurrent functions of county and district councils

** (15 counties in combined areas; parts of 4 counties
Metropolitan Police Area)

GREATER LONDON

<u>All-London Joint Authorities</u>	Fire Civil Defence Waste Regulation
<u>Part-London Joint Authorities</u>	Probation Waste disposal (some areas)
<u>City of London & London Boroughs</u>	<u>All other local authority services</u>

(For list of main local authority services, see under shire county areas. In Greater London local authorities are not responsible for police or public passenger transport, nor, in Inner London outside the City, for magistrates courts).

METROPOLITAN COUNTY AREAS

<u>Joint authorities</u>	Police Fire Public Passenger Transport Civil Defence Magistrates' Courts Probation Waste Disposal (Merseyside & Greater Manchester)
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Metropolitan District Councils All other local authority services
(For list of main local authority services, see under shire county areas)