



CONFIDENTIAL

P.0948

PRIME MINISTER

Wider Parental Choice and Education Vouchers

(MISC 91(82)1 and (83)1)

BACKGROUND

B
(summarised
at A)

In his minute to you of 5 November 1982 the Secretary of State for Education and Science reported that he had concluded that there were serious practical and political difficulties involved in introducing a full-scale system of education vouchers to enable parents to send children to the school of their choice, and outlined instead a more limited scheme. You decided that the Ministerial Group on Wider Parental Choice should be set up to consider these more limited proposals.

2. The main features of the Secretary of State's proposals, set out in MISC 91(82)1 are as follows:

i. the objectives are to give more parents wider choice and thus to improve standards, in two ways: by extending assistance with private schooling and by giving more practical effect to the right to express a preference in the maintained sector;

ii. under the "first limb":

a. parents would be given for each child a voucher towards the fees of an independent school participating in the scheme;

b. the voucher value would be limited to the average cost of a place at a maintained school; it would be taxable or subject to a means test; there would be a ceiling on fees; boarding education would be excluded;



CONFIDENTIAL

c. discretionary Government guarantees of capital expenditure would be available to enable independent schools to start up or expand;

iii. under the "second limb":

a. an LEA willing to incur extra expenditure could propose to the Secretary of State a scheme for expanding popular schools and improving or eliminating unpopular ones;

b. if approved by the Secretary of State as a cost effective means of facilitating parental choice and raising standards, such schemes would attract a 75 per cent specific grant;

iv. each parent would receive a booklet containing a voucher for the first limb and, in relation to the second limb, an explanation of the arrangements for schemes to expand popular schools and of the parents' right to express a preference for a school under the 1980 Act.

v. legislation would be introduced initially to permit pilot projects; separate legislation for a national scheme would follow 3 years or more later.

3. In MISC 91(83)1, the CPRS ask whether the proposals would achieve the objectives sought at an acceptable cost, and whether there are simpler or more cost-effective ways of achieving the objectives. In relation to the first limb, they point out that Government guarantees for capital expenditure in the independent sector would, while helping to counter political uncertainty, distort the market, question whether the net effect on standards overall would be positive, draw attention to the potential cost (and especially the "deadweight" cost) and administrative complexity, and ask whether, as an alternative, the Government should consider an expansion of the existing Assisted Places Scheme. In relation to the second limb they ask whether grant should also be available for expenditure on rectifying unpopular schools, whether there is a risk that popular schools may be over-expanded without eliminating bad schools, and



CONFIDENTIAL

whether there may be ways of improving parental choice by a more independent appeals procedure.

C

4. In Mr Mount's minute to you of 28 January he supports the Secretary of State's proposals with the following modifications: the first limb scheme should cover boarding schools, although the boarding element in costs should be excluded; there should be no fees limit; and the means test should not be too steep. Under the second limb the cost-effectiveness test is thought possibly too restrictive. He also suggests that there should be a single Bill providing powers both for pilot projects and a national scheme in due course. Annex A to the minute shows the extent of assistance to independent education in other countries and Annex B explains how under the second limb of the proposed scheme parents could join together to save a village school.

CONFIDENTIAL

MAIN ISSUES

5. Assuming that the Group approves the objectives of wider parental choice and improved educational standards, and accepts the Secretary of State's view that a fully fledged system of education vouchers should not be pursued, the main issues would seem to be as follows:

i. Should there be a "two-limbed" approach as opposed to action confined either to the independent sector (first limb) or to the maintained sector (second limb)?

ii. In relation to the first limb:

a. what should be the broad scope of the scheme?



CONFIDENTIAL

- b. should it be administered through LEAs?
- c. would expansion of the Assisted Places Scheme be a preferable alternative?
- iii. In relation to the second limb:
 - a. how effective is it likely to be in practice?
 - b. should changes in appeal procedures or other changes be considered as an alternative to, or supplement to, the proposed specific grants for LEAs?
- iv. Is it necessary to have two tranches of legislation - one initially for pilot schemes and another later for a national scheme?
- v. How and when should the Government's proposals be announced?

Depending on the Group's views on these major issues, there are many points of detail to be settled. You will however wish the Group to concentrate at the first meeting on the major issues.

Need for a "two-limbed" approach

6. The Secretary of State regards the two limbs as complementary and inseparable. As the CPRS points out however there is no operational link; the booklet containing the independent sector voucher and the statement about arrangements for parental choice in the maintained sector might be thought to be an artificial device. Some might argue that the Government should concentrate solely on giving more parents access to the independent sector; this might indirectly stimulate improved standards in the maintained sector by demonstrating that parents were "voting with their feet" once financial constraints on choice were relaxed. Others again might argue that the Government should concentrate solely on the maintained sector which provides education for 95 per cent of children and should devote any additional resources available for education solely to trying to widen choice and improve standards there, instead of subsidising the independent sector and assisting

CONFIDENTIAL



CONFIDENTIAL

some parents who already exercise parental choice by opting to spend money on independent education.

7. The Secretary of State is likely to argue that both limbs are necessary, partly for political and presentational reasons to show even-handedness as between the independent and maintained sectors, and partly because there is a need to improve variety in education in both sectors. He is understood to take the view that, even with very substantial resources devoted to the first limb, the independent sector of education is unlikely to increase from its present 5 per cent of the total to more than say 15 per cent over 15 years and the effect might be considerably less. He therefore sees the expansion of the independent sector as desirable in itself but as making only a limited contribution to the widening of parental choice. For the overwhelming majority of parents during the rest of this century that choice is likely to have to be exercised within the maintained sector; effective measures to widen choice in that area (over and above the demonstration effect of expanding the private sector) are therefore thought necessary.

First limb

8. The most basic question in relation to the first limb is what the scope of the scheme should be. The Secretary of State puts forward no figures for the cost of a national scheme to assist the independent sector. This is partly because of the difficulty of predicting take-up. It is also however because there are no definitive proposals about the scope of the scheme, ie how far the number of eligible independent schools should be restricted by setting minimum standards of quality and by imposing fee limits, and how far the effective value of the voucher should be restricted by means-testing or taxation. Mr Mount proposes (see para 4 above) that some of the restrictions discussed in the paper should not apply.

9. The range of options open is illustrated by the figures for the "deadweight" cost of the scheme (ie, the cost of vouchers for those who already send their children to independent schools) in the Appendix to Annex B of MISC 91(82)1. If the only limit on the scheme was to exclude boarders

CONFIDENTIAL



CONFIDENTIAL

and pupils ordinarily resident abroad, the number of children covered would be about 400,000 out of the existing independent school population of 500,000, and the cost would be some £430 million. If however schools with fees more than £500 above the voucher level were excluded, and also schools likely to fall short of the former "recognised as efficient" standards, the cost would fall to about £255 million with about 250,000 children covered. If in addition there was a steep means test of the kind which applies under the existing Assisted Places Scheme the cost of the scheme would be reduced to £50 million and its coverage would be much restricted. Under the Assisted Places Scheme no benefit is available if the parent's income is one and a half times the national average. With the same criterion only a fraction of those already in the independent schools would be covered.

10. The Secretary of State might therefore be asked to clarify his objectives under the first limb more precisely. Does he favour, as the paper implies, a tightly drawn scheme cutting out the more expensive and also the poorer quality schools and targetted towards lower income families? What sort of response would he expect towards such a scheme? How far would the effect be to displace children from higher income families, and how far would extra places become available in the independent sector? If these hopes were fulfilled what would be the total cost, including the net deadweight cost of £50 million? Would the cost be justified by the benefits of wider choice and improved standards?

11. The Secretary of State leaves open whether the first limb of the scheme should be administered directly by the Government or through LEAs. The argument for the latter (Annex A to MISC 91(82)1) is that it would avoid a substantial increase in the number of civil servants and would relate more easily to the arrangements for the second limb where the LEA has responsibility for improving choice in the maintained sector. The difficulty is that many LEAs might not cooperate in administering the scheme even if the full cost of the vouchers was reimbursed by the Government; if the option of a grant at less than 100 per cent were adopted, the lack of cooperation might be much more extensive. It seems doubtful whether the LEAs should be involved in the first limb of the scheme. Since parents will often wish to choose an independent school outside the area of their LEA, the LEA may be



CONFIDENTIAL

little more than a post office for the voucher. Extra manpower will be required to run the scheme in any event and it might be better controlled within central Government than within local Government.

12. The CPRS raise the question of whether a preferable alternative might be to expand the Assisted Places Scheme. This is at present a very tightly restricted scheme. It covers only 220 schools of high academic quality in the secondary sector where 12 to 20 places a year in each school are provided to a total of 5000 children a year, selected for ability. When fully operative it will cover about 30,000 children (out of the 500,000 in independent schools) at an annual cost of about £50 million. Only the poorest families receive free places and no assistance is available for families with well above average income. It differs from the first limb in the following respects:

- a. the primary legislation confines the Scheme to the secondary sector;
- b. it aims to provide completely free education for children from the poorer families; for them fees are fully reimbursed and some incidental expenses such as uniform; under the first limb the value of the voucher may be as much as £500 a year below the cost of fees.

13. The scope of the Assisted Places Scheme is largely determined by regulations requiring affirmative resolution in both Houses. Unlike the first limb proposal, which would require primary legislation, the coverage of the Assisted Places Scheme could be widened very substantially, albeit within the secondary sector only, by subordinate legislation. There is little scope for widening it under the existing regulations which require that no school may provide more than 25 places a year under the Scheme, cannot have more than half its annual intake under the Scheme, and must take 60 per cent of pupils under the Scheme from the maintained sector. In order to encourage more schools to join the Assisted Places Scheme and to increase the number of children covered, these and other regulations would have to be relaxed considerably. Even then the Scheme would be significantly more limited in scope than the more open-ended scheme, covering the bulk of independent schools, which the Secretary of State appears to have in mind under the first limb. If however the Group are content that the first



CONFIDENTIAL

limb should be limited in that way, expansion of the Assisted Places Scheme would undoubtedly be a more quickly available, less contentious, more controllable, less costly option than the Secretary of State's proposed new scheme.

Second limb

14. The main issue about the second limb proposal is whether it would in practice widen parental choice and improve standards. Among the doubts which might be raised are the following:

- i. the practical limitations on meeting parental choice (ie the difficulty of maintaining more than one viable school in thinly populated areas; the danger of expanding a popular school in such a way as to destroy the reason for its popularity; the ephemeral nature of some reasons for a school's popularity, such as the personality of a particular head);
- ii. the danger that bad schools would lose the children of informed and caring parents and become even worse than they are now;
- iii. the dependence of the scheme on cooperation from LEAs (many Labour-controlled LEAs might decline to submit schemes on principle; even sympathetic LEAs might be unwilling to find their 25 per cent contribution to a scheme).

15. It may be argued in reply that some LEAs have already expressed interest, informally and in very broad terms, in proposals on these lines. Much would depend on how far parental pressure would oblige local authorities to take advantage of the new scheme. It may also be argued that, at a time of falling school rolls, much of the existing diversity of options available to parents (notably denominational and single-sex schools) is being eroded but could be preserved with modest financial assistance of the kind proposed. Mr Mount argues (Annex B to his minute) that the scheme could help to preserve small village schools.

CONFIDENTIAL



CONFIDENTIAL

16. If there is scepticism about the practical effectiveness of the second limb, the Group may wish to consider other ideas as possible alternatives to, or supplements to, the proposal, for example the CPRS suggestions for spending money or taking other action to make unpopular schools popular, and for altering the appeals procedure to make parental choice more effective. We understand that the Secretary of State is likely to argue that the appeals procedure is as fair and effective as it can be, given the financial constraints on local authorities and the decisions which those constraints oblige them to make about the number of places available at particular schools.

Need for a pilot stage

17. If the Group favour the Secretary of State's proposals, they may wish to consider whether, as he suggests, there is a need to have two separate tranches of legislation - one which might be in the first year of the next Parliament to provide for pilot projects under both limbs and the other 3 to 5 years later for a national scheme. The Group will wish to probe carefully whether this two-stage process, which is long drawn out and expensive in Parliamentary time, is necessary or desirable. Even a period of 3 to 5 years would be too short to demonstrate the educational benefits of the proposals. There is admittedly the risk that the initial legislation might, with experience, prove imperfect but that could be corrected later, as necessary, with amending legislation. Finally it is argued that the scheme might best be introduced gradually in limited areas of the country. It is however difficult to see how this concept applies to the first limb of the scheme. The availability of central Government assistance with independent school fees cannot easily be restricted, on a pilot basis, to people living in a few selected localities. Any gradual build-up of the first limb could better be achieved by extending on a national basis the number of eligible schools. Similarly under the second limb national powers could be taken and applications invited from LEAs on the clear understanding that initially only a few schemes would be approved. Mr Mount favours a single Bill.

18. Subject therefore to any new points which emerge in discussion, there would seem to be considerable doubts about the proposal to have initial



CONFIDENTIAL

legislation confined to pilot schemes; and some good arguments for taking national powers at the outset, but implementing them only gradually.

Scope and timing of announcement

19. The Secretary of State seeks views on the timing of legislation and on whether the Government should consult about its proposals before or after announcement.

20. On legislation it is clear that this is unlikely to be feasible within the lifetime of this Parliament and the Group may therefore agree that the objective should be legislation as soon as possible in the next Parliament. Some prior consultation is essential and this cannot take place in any formal or widespread sense except on the basis of published proposals. The important issue is therefore how soon the Government should announce its proposals, and how detailed the proposals should be. At one extreme the Government might confine itself to a broad and general reference to widening parental choice in its Manifesto, leaving detailed proposals until after the Election. At the other extreme the Government would publish detailed proposals as soon as possible in a consultative document with a view to comments by the summer and the preparation of legislation in the autumn.

HANDLING

21. After the Secretary of State for Education and Science has introduced MISC 91(82)1, you may wish to direct the Group's attention to the main issues as outlined in paragraph 5i. to v. above. You might then invite Mr Sparrow to add, if he wishes, to the CPRS memorandum (MISC 91(83)1). ~~The Home Secretary~~ and The Chancellor of the Exchequer may have views on the broad policy. The Chief Secretary, Treasury may have public expenditure points and the Secretary of State for the Environment points about the financial and other relationships with local authorities. The Secretaries of State for Scotland, Wales and Northern Ireland may have comments as education Ministers. The Lord President, Lord Privy Seal and Chancellor of the Duchy of Lancaster may give their views on the likely reception of the scheme by the Government's supporters in Parliament and in the country.



CONFIDENTIAL

CONCLUSIONS

22. It will probably not be feasible or desirable to reach definite conclusions on the details of the proposed scheme at the first meeting, but you will wish to record preliminary views at least on as many of the following main questions as possible:

- i. whether some new Government initiative to widen parental choice is desirable;
- ii. if so, whether the initiative should be "two-limbed" and should embrace both the independent and maintained sectors;
- iii. what the broad scope for the first (independent sector) limb should be; (ie should assistance with fees be directed mainly to poorer families? should the most expensive and lower quality independent schools be excluded? should the scheme be confined to secondary schools? should there be Government guarantees for capital expenditure by new or expanded independent schools? should it be administered through LEAs? would expansion of the Assisted Places Scheme be preferable?)
- iv. whether the proposed second (maintained sector) limb is likely to be workable and effective and whether there are alternative or supplementary approaches;
- v. whether a pilot stage is necessary for either or both limbs;
- vi. what should be the timetable for legislation, and the timing and scope of an announcement.

23. Depending on the discussion you may wish to ask the Secretary of State for Education and Science to circulate further papers. The next meeting of the Group has been arranged for 11.30 am on Thursday 24 February.

PLG

P L GREGSON

31 January 1983

CONFIDENTIAL