10 DOWNING STREET

22 July 1985

From the Private Secretary

VILLAGE SCHOOLS

The Prime Minister has asked for consideration to be given to introducing legislation which would enable parents to keep alive village schools which would otherwise be due for closure. I attach a note which sets out one way in which this might be tackled.

The Prime Minister has suggested that the appropriate legislation could be included in the Education Bill which has a place in the programme next session.

The Prime Minister would be grateful for your Secretary of State's comments on the proposal, and on the prospects for including it in next Session's Education Bill.

(Mark Addison)

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

CONFIDENTIAL

VILLAGE SCHOOLS

Nothing in the law, as it now stands, prevents parents from taking over their village schools if they want to do so. But the parents would find it difficult to run the school on their own, since they would receive no financial assistance from the LEA.

To overcome these difficulties, legislation would need to:

i. Give LEAs which were proposing to close a village school a duty to offer financial assistance to parents wishing to set up an independent replacement where:

   a. the offer of such assistance would not reduce the financial savings otherwise likely to be brought about by the closure; and

   b. the parents could show that they were capable of meeting the minimum educational standards imposed on maintained schools; (this might be subject to HMI inspection at the end of the first year).

ii. Give the Secretary of State a duty to reject any closure plan where the LEA had not made reasonable efforts to comply with (i).

The legislation would also need to set out rules governing the relation between the Secretary of State, the LEA and the new establishment. The school would presumably need to be a charitable trust. The Governors would need to be reconstituted as trustees, who would appoint and pay staff (though these might be seconded from the LEA), and in every way run the school. The LEA would be given power to make a per capita basic grant to the school supplemented by a fee-remission grant for poor parents, arranged on a sliding scale according to means, enabling the school to offer bursaries. The buildings would presumably be leased or sold to the trust, except where the LEA was proposing to close a

voluntary-aided primary school, in which case the Church or other foundation would already own the premises.

Annex A sets out examples of costings which show that schools of this sort could in some cases be viable for the parents and as cheap as closure for the LEA.

E.R.

PRIME MINISTER

The Policy Unit have come up with a proposal for a Private Member's Bill, to help parents keep village schools going, when LEAs might otherwise wish to close them.

Content that we should now put this suggestion to DES for their comments?

MEA.

Yes - provision could be included in the Education Bill which has a place next session.

MS

(MARK ADDISON)

19 July 1985

PRIME MINISTER

18 July 1985

Bernati

VILLAGE SCHOOLS

In discussion with John Selwyn Gummer, you raised the possibility of a Private Member's Bill, enabling parents to keep alive village schools due for closure.

Nothing in the law, as it now stands, prevents parents from taking over their village schools if they want to do so. But the parents would find it difficult to run the school on their own, since they would receive no financial assistance from the LEA.

Lyndeli

To overcome these difficulties, a ~~Private Member's Bill~~ would need to:

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We attach, at Annex A, an example which shows that schools of this sort could in some cases be viable for the parents and as cheap as closure for the LEA.

The political advantages of a scheme of this sort are obvious: more than 500 rural primary schools have been approved for closure since 1978; parents in rural areas would be offered a way of avoiding such closures by taking a significant proportion of the cost of the school upon themselves. Reduction of LEA costs could become a much less unpopular business - perhaps even a local vote-winner, particularly with the Churches in the case of voluntary-aided schools. Back-benchers sitting for rural constituencies would undoubtedly compete hard for the privilege of sponsoring such a Bill, which might be supported by the Government as part of a package of measures to sustain village life.

We recommend that you should now ask DES to consider helping a backbencher high in the ballot with the drafting of a Bill on these lines.

OLIVER LETWIN

ANNEX A

COMPARISON OF SAVINGS: SCHOOL CLOSURE VS GRANT-AID

Present Situation

The district of Ninkum in Poopshire has four primary schools. As a result of falling rolls, the four schools have, between them, 250 surplus places; the average cost of educating a pupil in this area has consequently risen to £819 pa, compared with an average cost of £750 pa in the LEA as a whole. The position is:

Table I

School	No of Pupils	No of Teachers	No of Caretkrs/ Secs.	Pupil: Teacher ratio	No of Places	Surplus Places	Teachers	Caretakers/ Secretaries	Heat etc	Books etc	Total	Average Cost to LEA per pupil
A	250	12	2	20.8:1	300	50	120,000	14,000	30,000	25,000	189,000	756
B	150	7	1.5	21.4:1	200	50	70,000	10,500	20,000	15,000	115,500	770
C	25	1.5	1	16.7:1	100	75	15,000	7,000	10,000	2,500	34,500	1,380
D	25	1.5	1	16.7:1	50	25	15,000	7,000	5,000	2,500	29,500	1,180
	450	22	5.5	Av.20.5:1	650	200	220,000	38,500	65,000	45,000	**368,500**	Av.819

Notes

(1) Costs have been calculated on the following assumptions:

	£	
Cost of employing full-time teacher	10,000	pa
" " " part-time teacher ...	5,000	pa
" " " full-time caretaker/... secretary	7,000	pa
" " " part-time secretary ...	3,500	pa
" " heat, light, repairs etc	100	pa per place
" " books, equipment etc	100	pa per pupil

(2) Caretakers/Secretaries are allocated as follows:

School	
A	1 full-time Caretaker, 1 full-time Secretary
B	1 full-time Caretaker, 1 half-time Secretary
C	1 full time Caretaker
D	1 full time Caretaker

LEA Proposal:

The LEA is alarmed by the number of surplus places, and believes that small village schools are educationally damaging. It therefore proposes to close schools C and D, which have a small number of pupils, large numbers of surplus places, and high unit costs. The proposal is to move the 25 children in School D to school A, and the 25 in school C to school B. The two part-time teachers in C and D are to made redundant; the full-timers are to be transferred to A and B respectively; this minimises redundancy costs, which can in any case be set against receipts from sale or lease of the redundant premises. The result of the move is to eliminate 150 surplus places and to reduce average unit costs. There are, however, considerable additional transport costs - roughly another 25p per child per day; this amounts to about £50 per child per school year, or a total extra cost for the 50 displaced children of about £2,500 pa. The total saving brought about by the closure is therefore £36,500 pa. The LEA's new costs will be:

Table II

LEA COSTS: £ p.a.

School	No of Pupils	No of Teachers	No of Caretks/ Secs	Pupil: Teacher Ratio	No of Places	Surplus Places	Teachers	Caretakers/ Secretaries	Heat etc	Books etc	Addit. Transpt	Total	Average Cost to LEA per Pupil
A	275	13	2	21.2:1	300	25	130,000	14,000	30,000	27,500	1,250	202,750	737
B	175	8	1.5	21.9.1	200	25	80,000	10,500	20,000	17,500	1,250	129,250	739
C													
D													
	450	21	3.5	Av. 21.4:1	500	50	210,000	24,500	50,000	45,000	2,500	332,000	Av. 738

Notes

(1) Costs are calculated on the same assumptions as used in Table I.

(2) Caretakers and secretaries are allocated to schools A and B on the same basis as in Table I.

Grant-Aided Option:

School C is not particularly popular; most parents do not object to closure. But 20 of the parents at D do like their school, and are happy to pay something to keep it open. Ten of the parents from C decide to join them. Under the new grant-aided scheme, they agree to set up as an independent trust, and receive half of the LEA's average cost per child as a basic grant, together with a fee-remission grant for poor children, and lease of the buildings at a peppercorn rent. But the LEA is not obliged to offer this option unless it is clear that the savings will at least equal those accruing from closure.

In the present case, the LEA's average annual cost per child is £750 and the basic grant is fixed at half of this - £375 per child per year.

Fee-remission grant is added, on the following scale:

£ per annum

No of Children	Joint Parental Income	Fee-Remission Grant
20	> 15,000	0
5	10-15,000	100
3	8-10,000	150
2	< 8,000	200

[These figures are based upon reasonable assumptions about the level of parental income, derived from experience of the Assisted Places Scheme and revised to allow for the higher average income of prosperous rural areas.]

The LEA also loses unit savings from failing to fill some surplus places in A and B. But there are compensating savings on transport. The LEA loses from its failure to lease or sell C's premises at commercial rates; but it retains title to the assets; and it gains offsetting savings from the absence of redundancy payments, since it continues to be the ultimate employer of the teachers and seconds them indefinitely to the trustees of the schools. The continued existence of school D under the scheme also covers the LEA should there be any expansion of the village in future years.

The LEA's running costs under this arrangement would be as follows:

Table III

LEA COSTS: £ p.a.

School	No of Pupils	No of Teachers	No of Ctks/ Secs	Pupil: Teacher Ratio	No of Places	Surplus Places	Teachers	Ctks/ Secs	Heat etc	Books etc	Addit. Transpt	Basic Grant	Fee Remiss. Grant	Total	Average Cost to LEA per Pupil
A	255	12	2	21:1	300	45	120,000	14,000	30,000	25,500	250	-	-	189,750	744
B	165	8	1.5	21:1	200	35	80,000	10,500	20,000	16,500	750	-	-	127,750	774
C															
D	30	2	0.5	15:1	50	20		[Borne by School]				11,250	1,350	12,600	420
	450	22	4	20.5.:1	550	100	200,000	24,500	50,000	42,000	1,000	11,250	1,350	330,100	734

Notes

(1) Costing assumptions remain the same as in Tables I and II.

(2) Caretakers/Secretaries are allocated to A and B as in table II; school D has one half-time caretaker.

(3) School D keeps its full-time teacher and its part-timer, and takes on another part-timer from C.

As Table III shows, the total cost to the LEA of the district's schools will be £329,950 - ie £1,900 less under the grant-aided scheme than under the closure scheme.

But will the new grant-aided school be financially viable? Its annual costs, (on the same basis as in previous Tables), would be:

	£
1 full-time teacher (salary and employment costs)	10,000
2 half-time teachers	10,000
1 half-time caretaker	3,500
Heat, light, repairs etc	5,000
Books, equipment, etc	3,000
	31,500

The receipts might be:

No of Pupils	Family Income	Fee Charged	Total Receipts from fees	Fee Remission Grant (FRG)	Total Receipts from FRG	Basic Grant (BG)	Total Receipts from BG	Total Receipts
20	>15,000	750	15,000	-	-	375	7,500	22,500
5	10-15,000	550	2,750	100	500	375	1,875	5,125
3	8-10,000	400	1,200	150	450	375	1,125	2,775
2	<8,000	150	300	200	400	375	750	1,450
			19,250		1,350		11,250	31,850

In other words, by charging the richer parents fees of just over £60 per month, and by remitting all but £12.50 per month of this for its poorest parents, the school could cover all its expenses. Indeed, given local goodwill, and a willingness on the part of parents to help out in various ways, the school might cut its costs further, and remain viable even if the LEA reduced its grant or decided to charge rent on the premises.

This example is not arbitrary or wildly optimistic. It is based upon plausible assumptions about costs. It shows not that life would be easy for such a school, but that some schools in this position could very probably be grant-aided, and could survive, whilst both saving the LEA as much as closure, and charging extremely reasonable fees.

C2SS11

RESTRICTED

CC

CF.

Oliver letter to
consider response.
BF 14/3 pl.

MLGA 12/3

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

OL cover.
NBPM 12/3

11 March 1985

Dear Tim,

SCHOOLS WHITE PAPER

Thank you for your letter of 4 March. Chapter 8 of the draft is being amended to take account of the discussion in H Committee when the Committee agreed the Secretary of State's proposed response to the Swann Report; and the Secretary of State will circulate to members of H a short summary prepared for those who cannot be expected to read the White Paper in full.

As regards village schools, the Secretary of State believes that the case for closing them in certain circumstances is at least as much educational as financial. It is an injustice to the pupils of a very small school not to provide it with disproportionately generous staffing and other resources. It is this, as well as considerations of value for money, which prompted many LEAs to set about closing village schools which are not too isolated. Since 1980 for example Cambridgeshire have closed 24 small primary schools, Hereford and Worcester 21 and Lincolnshire 46. Sir Keith Joseph wants to go on encouraging them, and other authorities, to grasp the nettle. But there will be many cases where, because of isolation, it will be unavoidable - and right -to keep open a village school.

To get this difficult balance right in the White Paper, the Secretary of State will amend paragraph 11(2) of Chapter 10 to read as follows:-

> (2) The number of pupils in a primary school should not in general fall below the level at which a complement of 3 teachers is justified, since it is inherently difficult for a very small school to be educationally satisfactory. But geographical and social factors need to be given their full weight. In isolated communities it is often right, given appropriate augmentation of its resources, to retain a small village school.

I am sending a copy of this letter to Colin Jones (Welsh Office).

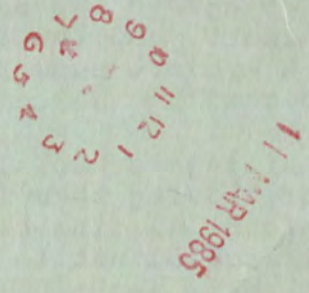
Yours,
Elizabeth

Tim Flesher Esq
Private Secretary
10 Downing Street
London SW1

MISS C E HODKINSON
Private Secretary

EDUCATION Pt 5

Policy on Expenditure



RLe

EdL

10 DOWNING STREET

From the Private Secretary

4 March 1985

The Prime Minister has seen your Secretary of State's minute together with a draft of the White Paper on Schools Policy of 26 February. In general she welcomes the proposals set out in the White Paper which she believes will strike a chord with all those concerned with raising educational standards. She has three detailed comments: first, the Prime Minister is concerned that the section on small schools may prompt an adverse reaction from the village schools lobby without achieving real savings; second, she notes that the passages in Chapter 8 of the Swann Report will need to be amended in the light of H Committee's discussion; and third, she believes that the White Paper would have even more impact if a short popular summary was produced. The Prime Minister would be grateful if your Secretary of State could consider these points.

BM

I am sending a copy of this letter to Colin Jones (Welsh Office).

(Timothy Flesher)

Miss Elizabeth Hodkinson
Department of Education and Science